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Tag Heuer Hot watch, bungled IPO Ciba

Page 18

Why staff prefer chemicals to drugs



Today's surveys

France: Finance Commercial Vehicles

Separate sections

World Business Newspaper http://www.FT.com

TUESDAY DECEMBER 10 1996

Growth in world trade slowed by slack demand

Growth in world trade has slowed more than expected this year because of the west's sluggisb demand for consumer goods, according to the World Trade Organisation's annual report. But trade is still expanding more rapidly than world output, which is forecast to continu growing by 3 per cent this year. Page 16

Court rules on Belgian politician: Belgium's supreme court said the main allegations of paedophilia against deputy prime minis-ter Elio di Rupo were unsubstantiated and there were no grounds for lifting his parliamentary immunity to enable a prosecution. Page 2

London and Dublin still split: A four-hour London summit meeting ended with the British and Irish governments as far apart as ever on terms for an Irish Republican Army ceasefire. Irish prime minister John Bruton issued a personal plea for an end to violence.



Burma accused members of opposition leader Aung San Suu Kyi's National League for Democracy, underground communist activists and student exiles of instigating recent student protests. Aung San Suu Kyi branded the accusation ridiculous. Yesterday, in the third rally in a week (above), some 100 students protested until dispersed by riot police.

Yeltsin takes country air: Russian president Boris Yeltsin moved to his Rus country residence west of Moscow for the "final stage" of his rehabilitation after a heart bypass operation.

Virgin quits pursuit: Richard Branson's UK airline Virgin Express is pulling out of the race to acquire France's Air Liberté, leaving the way clear for British Airways to take on the ailing

Indonesian gold: An Indonesian mining official said Canada's Bre-X Minerals and Barrick Gold had agreed to a government proposal for a 25-75 per cent split of the huge Busang gold property, with a 10 per cent stake for the gov-

Monsanto plans spin-off: Monsanto of the US plans to spin off its chemicals division to shareholders and is reserving \$400m to \$600m to cover expected restructuring charges. The split mean the loss of up 2,000 jobs. Page 17

Talwan refuses China demand: Talwan flatly rejected a Chinese demand that it abandon its pursuit of international recognition. Beijing had made the demand as a condition for the resumption of contact with Taipei which was

N Koreans defect: Seventeen North Korean defectors arrived in the South Korean capital, sparking fears in Seoul that food shortages in the North could be starting an exodus. Page 4

Bhopal victims' treatment attacked: The international Medical Commission on Bhopal bitterly criticised the Indian government and US chemicals company Union Carbide for neglecting victims of the world's worst industrial accident at Bhopal 12 years ago. It alleged neglect of survivors' ailments and corruption in the compensation procedure. Page 4

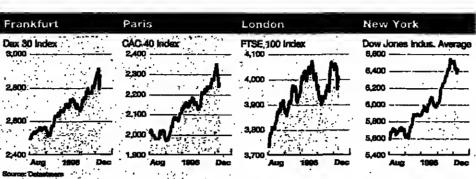
New Zealand should finally get a government today - two months after polls which gave no one party a majority. Its make-up is expected to be decided by MPs of New Zealand First, tha party holding the balance of power. Page 4

Plan for UK monarchy: Best-selling UK author Lord Archer took the first step towards launching legislation to give women equal rights in Britain's royal line of succession. Male children currently take precedence over their sisters in their right to the throne. Page 8

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

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World markets rebound from Greenspan scare



World financial markets bounced back yesterday after sharp falls on Friday as investors took a more sanguine view of comments by Mr Alan Greenspan, chairman of the

Mr Greenspan bad on Thurs-day spoken of "irrational exuberance" in financial markets, leading traders and investors to fear that the Fed might

raise rates to reduce the euphoria. At one point on Friday, the US's Dow Jones Industrial Average shed 145 points, while in London the FTSE 100 Index was off 168.5

But over the weekend, the markets seem to have reconsidered Mr Greenspan's comments. Mr Joe Rooney, global strategist at Lehman Brothers in London, said the Fed chair man was posing "rhetorical questions" about what might

bappen if the bull market continued, rather than saying that assets were overvalued. After a meeting yesterday of central bankers from the Group of Ten leading industrialised countries, Mr Hans Tietmeyer, Bundesbank president, said: "We feel to some extent a question and the markets

seem to be stable again."

Continued on Page 16 Markets, Page 38

French and German leaders urge European Union to spearhead fight against terrorism

Chirac and Kohl fail to make progress on Emu

By Peter Norman and David Buchan

President Jacques Chirac of France and Chancellor Helmut Kohl of Germany yesterday called for the European Union to put the fight against organised crime, drug trafficking and terrorism at the centre of its activities.

But they failed at a summit meeting to make substantial progress in resolving their differences over the implementstion of European monetary

Officials reported some prog-

intended to ensure that the future European economic and monetary union is not undermined by the financial profligacy of member states.

Germany has demanded

Accord on funds for apy

automatic penalties for countries with excessive budget deficits while France wants political involvement in the imposition of penalties. On a similarly contentious

lined France's demand for a ress, but said there were con- political force to offset the plification of indicial procetinuing disagreements over the power of the planned Euroso-called stability pact pean central bank once Emu ing in areas where member

was established. "There must be a political counterpart for the ECB," he said, adding that finding a solution "should not pose too much of a problem".

The two leaders expressed confidence that this week's EU summit in Dublin on Friday and Saturday would give a "decisive impulse" for the successful conclusion of the intergovernmental conference to undate the Maastricht treaty in Amsterdam next June.

In a letter to the Irish presidancy, they mapped ont as new goals a gradual harmoniissue, President Chirac under- sation of member states' laws against organised crime, a simdures and more majority vot-



In harmony: Jacques Chirac (left) and Helmut Kohl greet crowds in Nuremberg yesterday

states will retain responsibility for law and order.

By making law and order a matter for European integration, Germany and France are likely to provoke suspicion

regional authorities responsible for policing, such as the German federal states.

Mr Kohl was adamant that among Eurosceptical members the EU should play a big part

of tha EU, such as Britain, and in internal security, hitherto could trigger concerns among the preserve of national and regional authorities. "I believe that in a few years' time the fight against the maiia and

Continued on Page 16

Santa Fe in \$2.3bn merger with Homestake

In London

US gold mining group turns down rival bid from Newmont

received an unsolicited \$2bn bid from rival Newmont Mining, yesterday revealed it had both companies' shareholdagreed a friendly merger with Homestake Mining.

Homestake, the oldest gold offering terms that value enlarged Homestake would leapfrog Newmont to become ducer in North Amarica cial said. behind Canada's Barrick Gold. Santa Fe said its board.

decided unanimously two link was the best option.

ers," said Mr Pat James, chairman of Santa Fe.

Newmont said it was reviewmining group in the US, is ing the Homestake proposals. "Wall Street is telling us that Santa Fe at about \$2.3bn. The the fit is better and synergies greater with our company. But we are not prepared yet to talk the second-largest gold pro- about our next move," an offi-

advised by SBC Warburg, had merger would put the new weeks ago that the Homestake North American gold produc- Fe shareholders may be get-"Wa have no intention of Gold and Placer Dome have hope Newmont does not raise allowing [Newmont's] last market values equivalent to its bid."

problems by boosting output from a pro forma 2.7m ounces this year to 3.2m in 1998. But the proposals received a

cool reception from many ana-

"These are two companies with similar troubled profiles - they have significant current Mr Jack Thompson, presi-dent of Homestake, said tha development projects," said Mr John Bridges at Flemings Homestake into the top tier of Global Mining Group. "Santa ers. Rivals such as Barrick ting a second-rate deal. But I

Santa Fe Pacific Gold of the —minute spoiler tactic to inter— \$270 to \$300 an ounce of gold —The possibility that New—Homestake, which is advised US, which last Thursday rupt a well-conceived and care—reserves while Homestake and —mont might bid again caused by Dillon Read, said its offer fully planned combination

Santa Fe trade at \$105 to \$110

its shares to slip yesterday. If was worth \$17.42 a share, which will create valua for an ounce, he pointed out. either Santa Fe or Homestake about \$2 more than the New-The merger would solve pull out of the agreed merger a mont all-share bid and 47 per Homestake's near-term growth break-up fee of \$65m would be cent above the \$11 at which paid, adding about 50 cents a Santa Fe traded before the

share to the cost for Newmont. Newmont offer. Santa Fe

terday after the merger

Homestake and Santa Fe expect to save \$30m a year by combining operations and closing Santa Fe's Albuquerque headquarters.

> Lex. Page 16 Commodities, Page 28



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野 神经 电线压器 第二十二

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O THE FINANCIAL TIMES LIMITED 1996 No 33,162

Japanese brokers link up to cope with deregulation By William Dawkins in Tokyo by a wave of mergers, acquisi- started talking to each other in

stockbrokers are to join forces reforms. tion expected after government plans for a "big bang" financial deregulation.

The merger of Tokyo-based Maruko Securities and Osaka- fallen nearly 70 per cent durbased Daika Securities is the ing the past eight years. Last first since last month's year saw the merger between announcement by Mr Ryutaro two small brokers, Maruman Hashimoto, tha prime minis- and Tokai Securities. ter, of plans to deregulate stockbroking commissions and allow banks and securities companies to compete in each other's markets by 2001.

the big four brokerage firms, Nomura, Daiwa, Nikko and Maruko, 31.4 per cent-owned Yamaichi. Their numbers are by Nippon Steel, and Daika, 10 Nomura, Daiwa, Nikko and widely expected to be reduced per cent-owned by Nippon Life, Big bang, small noise, Page 15

tions and possible collapses in Two medium-sized Japanese anticipation of the financial

> Alliances have already reduce costs in response to a long-term decline in equity market turnover, which has

Mr Paul Heaton, senior analeast half the second-tier brokers could disappear in the The two, both unlisted, are next few years, citing the among 285 so-called second-tier shake-out among smaller UK brokers that rank well behind brokers after London's big bang 10 years ago.

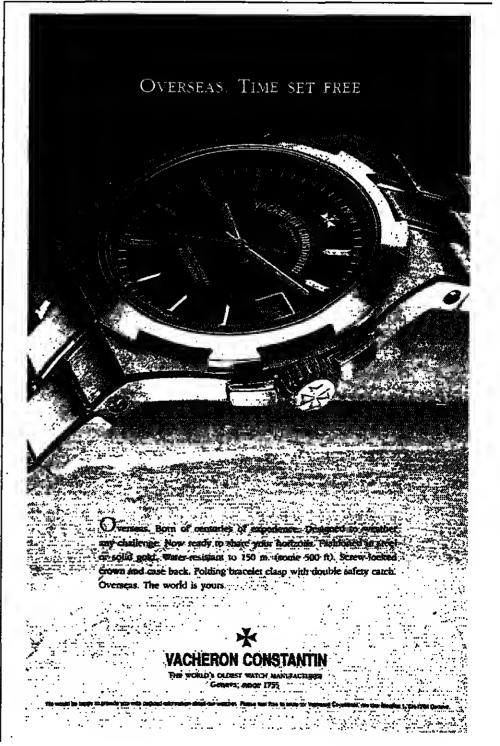
LONDOM - LEEDS - PARIS - FRANKFRET - STOCKHOLM - MADRED - MEN YORK - LOS AMBELES - TOKYD - ROMG KOM

September last year and expect to finalise their merger by next October. The new broker is to be named Maruko-Daika and begun as small brokers seek to its chairman will be Mr Yas umichi Nagano, president of Maruko. Maruko has capital of Y3br

(\$26.6m) and Daika is capitalised at just over Ylbn. That means that the merged company would still be too small to operate as a full-service broker under government plans to lyst at Deutsche Morgan Gren- increase the minimum capital fell in Tokyo, estimates that at requirement for that status from Y3bn to Y10bn.

Company officials said they planned to raise their combined equity capital to Y10bn by March 1998. Analysts said other second-tier brokers were also preparing to raise equity.

CONTENTS FT/SP-A Wild Indicas. Foreign Exchanges ____27 Gold Mariets _____28 _24,25 Int. Bond Service _____26 international _____18,20,22 inti. Cap Mida . Markats French Finance and



EU in drive to curb water pollution

Environment Correspondent

The European Commission is expected to act early next year to make all water users pay the full "economic cost" of water in a drive to eliminate serious water pollution and end wastage.

EU environmental officials have completed a framework directive which could particularly hit farmers, who pay very little for their water in most EU states. Pollution cides and fertilisers.

agriculture remains a big source of groundwater poilu-

believe the framework directive can only be fully implemented together with reform of the Common Agricultural Policy, which encourages over-production.

One way of doing this involves charging farmers for the cost of water pollution through the use of pestifrom sewage and industry is

The draft directive defines

already largely covered by

the full economic cost of because different kinds of next year.

for environmental costs as well as operational and management costs, capital costs. Commission officials and reserves for future

The draft aims to achieve

"good ecological status" for all water in the European Union by 2010, with a few exceptions including irrevocahly polluted harbours such as Rotterdam. It argues that water pollution needs to be tackled in a "holistic" fash- ted to submit a final proion because it crosses posal for adoption by EU

closely related. "If you pour fertiliser into

the Thames, the Seine, or the Rhine, you are likely to affect fisheries in the North Sea," explains one official. The Commission's environment directorate is sending the plan to EU governments for comment at the

same time as other Commission departments. The Commission is expecenvironment ministers early one senior Commission official says it is unlikely to cost nearly as much as earlier expensive directives to clean up drinking water and improve sewerage systems. "The worst is over," said the

However, the proposal is certain to spark fierce debate in other respects, particularly in its proposal that member states phase out subsidies for water use and charge the full economic

The draft framework directive carries no price tag, but tal costs remains fraught with difficulty because few member states have done it. The second leap of imagi-

nation the Commission will ask member states to make is not to expect Brussels to set specific targets for abating water pollution. Instead it would let indi-

vidnal EU governments decide what constitutes good ecological quality and then implement it, bearing in mind standards should be set according to the use for which the water is intended.

Accord

for spy

By David Buchan

satellite

Prance and Germany

vesterday reached a compro

mise on financing their joint

military spy satellite pro-

gramme, designed to give

Europe an intelligence

capacity independent of the

At the Franco-German

summit in Nuremberg, it

was agreed Bonn will delay,

for perhaps a year, pay-

ments for the Helios 2

infrared satellite project

readiness to increase its planned contribution to the

subsequent programme to

develop the Horns radar sat-

ellite, for which German

industry will be the prime

Chancellor Helmnt Kohl

said he was happy agree-

ment had been found and expressed his "appreciation

for France's comprehension'

of Germany's defence bud-

At their Baden-Beden

summit a year ago, the two

leaders signed a letter of intent to develop Helios 2 and Horns together. Since then, Mr Volker Ruhe, Ger-

man defence minister, has

been arguing be does not

have the resources to fund

spy satellites as well as the

expensive Eurofighter pro-

because the US has offered

Bonn a cheaper alternative

The Helios 2 infrared spy

satellite is due for launch in

2002, while the target date

- of interest to Germany

because of its potential to

see through thick cloud

prevalent in central Europe

*To stick to the time-

table," the two governments

said in a statement yester-

day, "France is going ahead

straight away with the

Helios 2 programme, which

Germany will join as soon

as conditions permit". Mr

Kohl indicated German par-

ticipation, which would

require parliamentary approval, might be delayed

Together with Spain and

Italy, France has put an

optical spy satellite, Helios

1, into orbit, but has long

been looking for German

financial as well as indus-

The French and German

leaders instructed their

armaments directors to

embark on a rapid study of how to adjust their coun-

tries' relative workshares on

France and Germany also

agreed on a "common con-

cept of defence and secu-

rity", but refused to reveal

details until their respective

parliaments had been

the satellite projects.

informed.

for the Horus radar satellite

to Helios and Horus.

is 2005.

for a year.

quent satellites.

ramme, particularly

getary difficulties.

contractor.

managed hy the French. But Germany is under-stood to have indicated its

on funds

EUROPEAN NEWS DIGEST

Di Rupo wins part clearance

pergram's deputy prime minister, in the or repo, was yesterday partially cleared of paedophile allegations, but must wait for the supreme court to investigate new evidence against him.

A report from the court to the Belgian parliament said the original dossier against Mr Di Rupo alleging a

When the court has examined this further evidence it will make another recommendation on whether parliament should lift the minister's constitutional

The supreme court will today deliver a report on similar allegations against a regional minister, Mr similar algebrasis to the parliament of Wallonia, Jean-Pierre Grafe, to the parliament of Wallonia, Belgium's French-speaking southern region. Mr Grafe has

Spain to keep subsidising coal

Spain's government will continue to subsidise the loss-making domestic coal industry over the next 10 years under the terms of a framework for the electricity sector to be signed with national geogrators this week. The framework, which introduces a timetable for deregulating the sector and aims to lower electricity costs by 8 per cent over the next three years, will nevertheless reduce the guaranteed share of domestic coal used in power generation to 15 per cent from as much as 40 per cent at

The liberalisation calendar, which will be implemented in 1998, establishes norms for a phased separation between electricity generators and suppliers and guarantees third party eccess to transmission and distribution grids operated by existing generators.

Militant miners last month forced the government to rethink closing state-owned pits. Total subsidies to the domestic coal industry are estimated to be more than Pta200bn (\$1.5bn) a year.

Italy launches tobacco probe

Italy's anti-trust authority is probing distribution multinational Philip Morris to determine if they which is seeking to market cigarettes under the Trussardi

been provided, despite repeated requests, apparently on conflict with regulations on tobacco advertising.

An investigation into possible abuses of dominant postion by AAMS and Philip Morris was also launched by they control about 90 per cent of the Italian market. Forty

The state statistical office said unoffi-Reuter, Liubliana

The decision will benefit west Berlin which at present is

Mr Van Miert also said he would recommend that the Commission grant further subsidies to two east German shipyards - the MTW yard in Wismar and the Volkswerft in Stralsund - which had been part of the Bremer Vulkan shiphuilding group which collapsed earlier this year.
Subsequent investigations found subsidies intended for the yards had been deployed elsewhere within the Bremer Frederick Stüdemann, Berlin

Swiss GDP figures leaked

 Bernard Gray adds: France yesterday agreed to increase the number of

Tiger attack helicopters and NH-90 transport helicopters it would buy. France will buy 215 Tigers and 160 NH-90s, while Germany will take 212 Tigers and 243 NH-90s, producing a boost for Eurocopter, the Franco-German joint venture owned by Aérospatiale and Daimler-

The helicopter agreement reverses cuts in the programmes announced by France in its spring defence review. The two countries are also to proceed with funding for a long-range anti-tank missile to arm the Tiger. However, there was no agreement to fund development of the Future Large Aircraft military transporter, or on bow to proceed with the "battlefield taxi"

Belgium's deputy prime minister. Mr Elio Di Rupo, was

homosexual relationship with o minor, had insufficient substance to be worth pursuing. But it added that the correct legal procedures had not been followed when a second dossier had been presented last week, and it had been unable to examine the new evidence.

immunity from prosecution and indict him, or to drop the case completely. Mr Di Rupo has consistently protested

Neil Buckley, Brussels also denied the charges.

Electricity tariff reductions will start next year.

contracts between the state tobacco monopoly and the US contravene laws oo ahuse of dominant position. The inquiry follows a complaint by an Italian company, ITA, brand made hy Austria Tabakwerke of Munich. Cigarettes can only be imported into Italy if formal

approval is granted by AAMS, the monopoly, This has not the grounds that use of the Trussardi fashion name might

the European Commission earlier this year. Together, per cent of cigarettes smoked in Italy are imported; Philip Morris accounts for 34.5 per cent. John Simkins, Milan

Slovenian poll inconclusive Slovenian voters failed to give any of the proposed

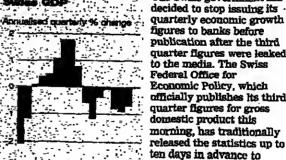
electoral models in a referendum on Sunday the necessary 50 per cent support to be adopted. Little more than a third of the 1.5m electorate bothered to take part . in the referendum which is expected to cost T400m (\$3m). most support at 44.4 per cent for a two-round majority system proposed by the centre-right Social Democrats. Such a system would probably bave produced a clearer outcome than in the November 10 general election, when a rightwing alliance failed to win an absolute parliamentary majority by one seat. Mr Janez Drnovsek's centre-left Liberal Democrats remained the biggest party. but are struggling to find enough support to form a new coalition government.

Brussels reunites Berlin

West and east Berlin are to be reunited in the eves of the European Union which from 1997 onwards will treat both halves of the once divided city equally when assessing eligibility for subsidies, Mr Karel Van Miert, competition commissioner said yesterday.

treated differently from the eastern half of the city and the surrounding region of Brandenburg. East Berlin currently receives DM237m (\$152m) from the EU's structural fund. West Berlin receives DM100m.

The Swiss government has



quarter figures were leaked to the media. The Swiss Federal Office for Economic Policy, which officially publishes its third quarter figures for gross domestic product this morning, has traditionally released the statistics up to ten days in advance to various Swiss banks on condition that they observe the embargo. This was supposed to ensure banks' statistical publications were as up-to-date as possible.

publication after the third

However, news that gross domestic product had fallen by 0.7 per cent in the third quarter ran on the Reuters news wire last Friday. Although the breaking of the embargo has had no impact on Swiss financial markets, it is potentially embarrassing since it highlights once again the cosy relationship between the government and the country'e big banks.

Brussels rejects steel aid

A European Commission official said yesterday that a draft decision concluded "unequivocally" that a BFr1.5bn (\$47m) capital injection for Belgian steelmaker Forges de Clabecq amounts to an inadmissible public subsidy. A

definitive ruling is due in principle on December 18.

The European Coal and Steel Community, one of the European Union's founding bodies, bans subsidies to the steel industry in general. Restructuring and other forms of aid can still be allowed by EU industry ministers acting unanimously. Belgium has always contested that the Clabecq plan involved subsidies, arguing that the region of Wallonia was acting within its right as the main shareholder of Clabecq. Reuter, Brussels

Counting cost of paying in euros

the more problems it faces adapting to the clear at a recent seminar organised by the German chambers of

is to the consumer.

Preparing industry and commerce (DIHT) in for Emu Bonn from the experiences of three large companies which are preparing for

the single European currency. The retail trade, in particular, faces huge extra costs if, as coneumer groups want, goods have to be priced in both euros and national currencies for a full six months from January 1, 2002 while euro notes and coins are introduced.

Mr Hartmut Krämer, an executive with the clothing retailer Peek & Cloppenburg, warned of "immense problems" if European leaders did not introduce the euro overnight in a "big bang". Double pricing would cost his company about DM25m (\$16m). Casb registers would have to be adapted to produce two receipts. Paying for goods would be slower and require more staff. Bar code labels would have to be replaced by higger ones with room for information in two prices, at a cost of

Given the tough competitive con-

The prospect of Europe

adopting a common cur-

sink into the North Ameri-

currencies to convert to the

Obvious implications for the

US-based companies trading

trading with, or manufactur-

ing in, a unified European

bloc will also be important

for US corporations. Ms

Ellen Schubert, head of

North American foreign

exchange sales for SBC War-

burg in New York, believes

the strategic issues "are far

more important than the for-

eign exchange issues for US

companies. Unfortunately,

we haven't eeen corporate

management dealing with

these issues yet, in part

because many don't believe

To this extent, corporate

managers are far behind the

trading community, espe-

cially hedge fund managers.

wbo pilot the movement of

cash from one global market

One of the most popular,

and successful, strategies in

government debt markets

this year has been to huy

bonds of European govern-ments, particularly Spain

and Italy, on the bet that

their yields will converge on

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THE FINANCIAL TIMES

[Emn] will happen."

to another.

The strategic aspects of

in Europe.

rency is just beginning to Laurie Morse

The plans for the D-Mark, reports on

the French franc and other transatlantic

ohvious implications for the foreign exchange dealings of the prospect

euro in January 1999 have adjustment to

of Emu

for the relatively low volatil-

markets are telling us is that

monetary union will hap-

pen," says Mr Galen Bur-

ghardt, senior vice-president

The US organisations that

fierce battle is in progress

between the main exchanges

rationalisation forced on

US exchanges have

them by monetary union.

strategies of their own.

trading, has produced a

white paper proposing to

substitute euros for existing

lty in European currency several new domestic pro-

markets this year. "What the jects, would allow the

for Dean Witter Reynolds in its husiest currency con-

will have to deal with Emu into euros. If Britain joins

first are the futures and Emu, it will lose its active

in European currencies. A products that will not be

The closer a husiness Consumer companies may need deep pockets to accommodate the single currency, writes Peter Norman

rencies converge. The pre-

cise timing is for the

However, the larger Emu

issue for the Philadelphia

exchange is decline of cross-

currency trading that gener-

ates much of lts business.

We will still have the cur-

rencies in Europe that will

trade outside the Union."

says Mr Joseph Rizzello, its

senior vice-president of mar-

keting. Proposed trading

links with Hong Kong, and

exchange to weather the

Exchange is also betting that

tracts, D-Mark futures and

options, will convert easily

affected, including futures

on the currencies of Austra-

For the CME and the Chi-

cago Board of Trade, the

immediate fallout of mone-

leading Euromark future

trading at the CME. France's

Matif has also caught the US

The Chicago Mercantile

European changes.

exchange to determine.

ditions in the retail trade, companies the euro for the D-Mark would mean would be under pressure to round changes to its entire range of insurdown prices of goods when converted into euros, reducing turnover

and narrowing profit margins. Mr Krämer cited Peek & Cloppen-hurg'e cheapest men's shirt, which retails in Germany at DM39. At a conversion rate of DM2.15, this an interim period after 2002, the would cost £18.13. The retailer would he more likely to charge E17.90 or E18. "Good for the consumer hut bad for the retail trade,"

As a company with outlets in Belgium and the Netherlands as well as Germany, Peek & Cloppenburg had to cope with the impact of differing value added tax rates in its pricing policy. The consumer, Mr Krämer said. Would expect the same euro prices in the three countries. Because of competitive pressures, transnational retailers would find It hard to round up prices.

Gerling-Konzern, a large insurance company, has also come up against practical problems associated with the euro introduction. Mr Dleter

N Americans begin to

believe the bird will fly

ance products. For example, at DM2.15 per euro, the etandard DM300 excess German customers

paid in the event of a car insurance claim translated into E139.53. If double pricing were agreed for company would have to replace its application forms to accommodate the information, Mr Weber said. He hoped the abbreviation chosen for the euro would be no more than two letters. Replacing "DM" hy "EU" would be relatively simple, hnt "EUR" would cause problems in the

group's computer system.

Gerling's costs would depend on whether the group decided to switch to the euro with a "big bang" or in stages. The former would be cheaper at about DM30m but technically risky, Mr Weber said. A step-by-step procedure could cost DM75m, with software changes costing around DM36m. In return, Gerling expected gains of just DM4m-DM7m from the single currency.

Weber, of the group's information By contrast, the euro appeared to May to discuss conten management unit, said substituting pose few problems for Mr Gunter such as double pricing. By contrast, the euro appeared to

Erhardt, an executive with the large chemical company BASF, and a member of the euro working group set up by the German chemical industry association. He believed the euro would bring big opportunities. The industry association had pro-duced a checklist to help members cope with transitional issues affecting purchasing, logistics, sales, balance sheets, taxation, data process-

ing, personnel and contracts.

Mr Erhardt said there was no single hiveprint for a company to tackle the switch from D-Mark to euro and many companies would use the occa-

sion to make other changes. The three companies began intensive preparations between the middle and end of last year. The execu-tives complained that public authorities, such as tax offices, were failing to match the progress of private businesses and were showing far less enthusiasm for the project

than Europe'e politicians.

Mr Erhardt also said there was often a lack of reliable information. Mr Jacques Lafitte, an aide of Mr Yves-Thibault de Silguy, monetary affairs commissioner, said the European Commission favoured a shorter transition period than six months. He suggested a hearing with consumer and business organisations in May to discuss contentious issues

Emu: who's going to make it

The Emu calculator provides a wouldy snapshot of the probabilities which the trancial materia place on selected countries being whiting and able to join.
Germany in forming a single European correctly in 1999.

Currency strategists at investment bunk of P Morgan colouists the probabilities from the interest rate aways market, in which investors swap floating rate interest payments on an investment for the d-rate ones. The probability which the markets place on France can be culculated by

locking at the current difference between French franc and D-Mark swins rate and companing it to the difference you would expect to see it Enu were postponed indefinitely.

optione exchanges which sterling contracts. However, trade products which settle it retains a broad base of These partnerships are a symptom of competition hetween exchanges in in Germany. France and lia, Canada, Brazil, Mexico, Britain for survival after the Japan and Switzerland. Europe, which hope US exposure will widen their chances for survival. However, Mr Craig Pirrong. finance professor at the Olin hecome partners to these tary union has been the battles, either directly or eagerness of its European School of Business at Washington University in St. indirectly, and are lining up rivals to devise product part-Louis, says: "These co-operanerships with them. By tive efforts generate a lot of The Philadelphia Stock
Exchange, an active centre its best bond contracts tradfor foreign currency options ing at the CBOT, and its fanfare, but I don't expect

on 10-year French govern-ment bonds to the CME dur-ing US trading hours. how e single "super exchange" in Europe could alter the global strategic playing field. "There are tremendous scale and scope bigger, better diversified exchanges to succeed."

> European debt and money outside their usual financial

them to generate a lot of business." To the extent that Emu

economies that allow the Simply adopting a few

market futures contracts may not he aufficient for trial participation in subse-Chicago to maintain its dominance in listed derivatives trading. Already, European competition is forcing Chicago'e futures exchange to con-sider consolidating operations, and is prompting all US exchanges to look for oew products and services

will lead to the restructuring of derivatives exchanges in Market analysis also point national currencies of Euro- distribution hug, and has Europe, Mr Pirrong says, the

Ministers urge quick decision on genetically modified product

Brussels pressed for maize ruling

By Caroline Southey

EU environment ministers ing the UK and Austria. maize has escalated follow-yesterday urged the Euro- Mrs Bjerregaard said the ing a Commission suggespean Commission to decide Commission was likely to tion recently that modified quickly whether to approve make a decision next maize could be entering the genetically modified maize Wednesday after it had EU in breach of Union rules. amid growing frustration received advice from three Mrs Bjerregaard confirmed over continued delays in EU scientific committees on that she had warned memauthorising the grain.

Environment ministers urged Mrs Ritt Bjerregaard, deferred a decision on the maize was not put on to the European commissioner for maize because of heightened EU market, but denied that the environment, to act concerns in the EU about she had any evidence that quickly. "They are getting food safety, particularly in modified maize had already fed up," an EU official said. the wake of the BSE crisis. entered the EU illegally. "Any decision is better than

no decision."

mission official said. Her of antibiotics used on ani- isters on labelling modified cautious stance was backed mals and humans. by several countries, including the UK and Austria.

Controversy over the too many loophoing the UK and Austria.

Controversy over the too many loophoing the UK and Austria.

the safety of the product. ber states that it was their

The Commission has responsibility to ensure the The maize was developed

by Ciba Geigy, the Swiss

rushed into a decision. "The borer pest. Environmental

speedy or scientific. We are "marker gene" in the maize

There has also been growisters she would not be resistant to European corn modified products in general Environmentalists are choice is between being groups argue that the critical of a recent deal

products because there are too many loopholes in the Protests have also contin-

ned against genetically modifled soyabeans which were given the EU stamp of approval earlier this year. Mrs Bjerregaard said the Commission would consider

changes to procedures, agreed in 1990, for approving the sale of modified foods in the EU. She said reforms should focus on strengthening administrative procedures, improving the way ing concern about the EU's scientific evaluations were Mrs Bjerregaard told min- chemicals company, and is stance towards genetically made and introducing an effective labelling regime. Mrs Bjerregaard said the Commission had no evidence

between the European par- that modified malze had due to be developed with choosing science," a Com- could undermine the efficacy liament and council of min- been imported into the EU. Britain.

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NEWS: EUROPE

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Swedes probe trader

By Clay Harris in London and Davrell Roberts Tien

A Swedish prosecutor yesterday opened an official investigation into Fairbank, the currency trading company which has targeted ethnic Chinece private investors in that country.

The decision by Ms Anna Lena Dahlqvist, a prosecutor attached to the Serious Economic Crimes Squad, followed a meeting with Mr Bernt Magnusson, head of the securities department at Finansinspektion, Sweden'e financial supervisory authority. Police in Sweden first had their attention drawn to Fairbank's activi-

Fairbank, which operates openly in Stockholm, Gothenburg and Malmö, does not have permission from the Riksbank, Sweden's central bank, to provide currency trading services. Its customers, conservatively estimated to number more than 300, are believed to have

lost millions of kronor. Fairbank is operated hy Mr Dannis Cheung, a UK citizen who ran Pagoda, a similar currency trading scheme which is being investigated by Britain's Serious Fraud Office over the alleged misuse of \$7.5m of investors'

Mr Kenneth Yeung, director of Currency Exchange Services, which supplies foreign exchange prices to Fairbank from an office in Soho and keeps its records, yesterday refused to comment when asked whether his company had withdrawn an application for authorisation by the UK's Securities

and Futures Authority. Currency Exchange Services has been allowed to arrange "rolling spot" foreign exchange trades rolled-over forward contracts of seven days or less while the SFA processed its application. Withdrawal would be another blow to

lished in the Financial Times and Dagens Nyheter. the Swedish newspaper, more than 25 investors confronted Mr Cheung in his Stockholm office, while 70 to 80 others sent faxes to the company, all demanding to

close their accounts. Mr Cheung also met between 20 and 30 of Fairhank's traders in an attempt to assure them of the company's legality. Fairbank had begun to expand its business outside the Chinese commu nity by recruiting ethnic

Swedish employees.

Vote today on programme of welfare improvements and tough reforms Romanian parties agree cabinet

By Virginia Mersh

After protracted negotiations, the victors in last month's Romanian general elections yesterday announced the formation ofthe country's first centreright government since the second world war.

Mr Victor Ciorbea, the 42year old prime minister elect, is due to put the team - drawn mainly from his Democratic Convention - as well as a governing programme that emphasises welfare improvements and tough reform to a parliamentary vote today.

The coalition, which also includes the Social Demo-

Tens of thousands of Serbian

demonstrators showed no

sign of abandoning their pro-

test against the annulment

of opposition victories, but

independent trade unions

yesterday failed to rally fac-

tory workers to their cause.

Motora i Traktora (IMT), a

tractor factory on the out-

skirts of Belgrade, voted

down a union proposal to

march to the city centre and

join three weeks of protests

against President Slobodan

Milosevic of Serbia, who can-

celled opposition wins in

tory courtyard underscores

the difficulties opposition

leaders face in winning

workers' support to widen

Fearing retaliation, work-

ers said they joined the

opposition protests in their

own time, but were more

concerned with eking out an

existence on their sporadic

wage than with joining the

"It's cold, why should we

walk all the way to Bel-

grade," said Mr Skender

their protest.

political protests.

local elections last month.

Workers at Industrila

per cent of the seats after defeating the former communists for the first time in the

November 3 elections. Mr Ciorbea, a lawyer and former trade union leader who as mayor of Bncharest won a reputation as a competent and honest administrator, said his cabinet would "execute a programme that is as ambitious as it is difficult".

ing member of the Peasants'

trist group, and the ethnic try and trade ministry - one Hungarians' party, has 59 of six portfolios given to the

radio station. Mr Mircea Crimara, a 53-

year-old economist and leadparty, the mainstay of the minister in the 24-member

Liberals - will be led by Mr Calin Popescu-Tariceanu, a who heads a popular private among the priorities for the

The USD's Mr Adrian Severin, the new foreign minister, is one of several technocrats from Romania's first post-communist government to be brought back into the cabinet. The ethnic Hungarrial posts.

The new government, which has already begun talks with the International Monetary Fund, said plugging the widening hudget

worker. Like his fellow- received 70 per cent of their tions. "I've worked here for

IMT reflects the grim pic-

by the collapse of the econ-

omy of former Yugoslavia,

footing the bill for the wars

in Croatia and Bosnia, and

pany debt which had risen to 17 per cent of gross domestic product, and encouraging well-known businessmen lio investment would be

> first six months. The short-term programme also pledges to cut inflation while bringing in a minimum pension, indexing pensions to price rises, assuring credits for agriculture and for homes for young people, and gradually liberalising energy and agriculture

It promises to ensure transparent government and reliable economic informa-

However, Mr Ciorbea made clear welfare would be selective and that sacrifices would be needed. While the programme is

considered optimistic, analysts said the new government appeared committed to tackling reform, fighting pervasive corruption and improving relations with

investors and the west-"The political will is clear and, while it has several experienced members, the government has already indicated its openness to co-operate with the outside world, business and society in areas where it is short on

Serb protests fail to draw workers than fluent Greek.

gled goods at a flea market

Hopes have faded the factory would return to its full production of 42,000 tractors a year once sanctions were

While trade unions tried to drum up support, up to 40,000 students yesterday protested against the arrest and beating of a young worker riding a jeep with a dummy of Mr Milosevic. "Must we bow our heads and take all of this?" said a student statement. A Belgrade woman hands flowers to opposition leaders Vuk Draskovic (left), Vesna Pesic

"Tomorrow it could be one of us. Let's rebel against their brutality."

Tens of thousands of oppo-20 years. I have nothing to sition supporters last night show for it, no money, no renewed their protest the ture of Serbia's economy, hit flat, nothing," said Mr day after Serbia's Supreme Court ruled against an Zdravko Jamburele, who appeal to restore their victories. They have appealed to a building walls and digging federal court of Serb-led

to do odd jobs and sell smug-

to survive." More than half of Serbia's factories have closed, and only a handful operate at full capacity. Fifty per cent of the workforce is unemployed. More than two-thirds of IMT'e 4.500-labour force has been sent on "forced holidays".

Greek proves hurdle for top telecoms job

By Kerin Hope in Athens

Greece's first attempt to he had telecoms experience choose a chief executive for and could speak Greek. a public sector company by normal international management methods has run into an impasse because of the lack of top candidates

who can speak Greek. Today the board of OTE. Greece's partially privatised telecoms company, will decide whether to appoint Mr George Traneteas, who works for Northern Telecom of Canada, as its new chief executive despite his less

The decision will be a test of the board's commitment to modernising the lumbering state telecoms monopoly. which floated 8 per cent of its equity on the Athens stock exchange last March and plans to place another 17 per cent with international institutions during

The choice comes at a crucial moment for OTE as it prepares to launch Greece's third mobile telephone network to compete with two private consortiums led by Stet of Italy and the UK'e Vodafone.

The company is due to select an international partoer for the \$250m project

next mooth. The Socialist government declared in March that the new chief executive, who will take over on January 1 on a five-year contract, will for once not be a political appointee chosen by the ime minister. OTE appointed Kantor, the

Greek affiliate of Arthur D. Little, the international management consultants, to handle the search for a new chief executive and produce a shortlist of four candidates to be interviewed by the board.

To avoid political recrimi-

nations, the Socialists passed

Greek snbsidiary of Mölnlycke, the Swedieh manufacturer of bygienic paper products. The second choice, Mr Tza

national manager provided

However, OTE's board has

faced a dilemma because

none of the 56 candidates

who applied for the job could

Of the four finalists, two

have a strong track record in telecoms but would be

unable to hold meetings

with senior executives or

negotiate with OTE's unions

in Greek, while the other two candidates are Greek

speakers but work in unre-

To make matters worse,

the government has already

rejected the board's first

choice, Mr Stergios Nezis, a

chemical engineer who has

turned around struggling

Greek companies in the pub-

lic and private sector but

who has never worked in the

He currently runs the

lated fields.

satisfy both requirements.

neteas, who heads Northern Telecom's cellular telepbone operations in Latin America. is a Greek-Canadian but like many expatriate Greeks has only a rudimentary command of the language. If his candidacy is

rejected, the chances are that the current general manager, Mr Petros Lambrou, will remain in place. Mr Lambrou, a former Socialist party treasurer supervised OTE's successful

flotation and is on good

terms with the company's 15

unions, which still exert a

strong influence on decisionmaking. However, Mr Lambrou is also a powerful symbol of the old order in public sector management which the government says it is deter-

legislation specifying that Secerovic, a 40-year-old IMT months' back wages, under 42 months of UN sanc-On Friday, after articles Brussels points way to single market in auditing

works in quality control.

By Jim Kelly, The European Commission yesterday set out plans for achieving its long-term goal of a single market in statutory auditing by a process of close co-operation with the accountancy profession rather

than through EU legislation. In return, the profession is expected to develop a code to guarantee the independence and integrity of auditors, and to help break down barriers which prevent auditors and audit firms ing in the EU." Mr John Hegarty,

"If we want to develop a strong single market we must ensure that good accounting and auditing practices are applied," Mr Mario Monti, the single market commis-

(centre), and Zoran Djindjic during protests yesterday

ends meet on his monthly

wage, the equivalent of

In an attempt to under-

mine the planned strike, IMT

workers, who are owed five

DM100 (\$84).

workers, he could not make October salary on Friday.

sioner, told a conference on the role of the auditor. Mr Anthony Carey, head of international accounting at the UK'e powerful Institute of Chartered Accountants, said: "We are pleased that a decision has been taken not to eeek legislative solu-tions to the development of audit-

practising freely across borders. secretary-general of the Fédération des Experts Comptables Européen (FEE), the profession's leading EU body, also welcomed the statement, saying the plan amounted to "regulatory contract-

ing-out". Yesterday's Commission statement is broadly in line with its green paper published earlier this year and with reports produced by the profession and the Big Eight

accountancy firms. Brussels is intending to prepare plans to harmonise auditing stan-

dards in the EU along the lines

fession for harmonisation of

accounting standards. A new subcommittee of member state representatives, and others, will monitor audit standards pro-duced by the New York-based International Federation of Accountants. The EU will seek to play an active role in its work to make sure it does not have corne

blanche to set Europe'e audit The Commission believes current rules governing the indepen-

dence of auditors are inadequate

already established with the pro- and has asked the profession, in wants the FEE to make proposals the shape of the FEE, to take a on issues such as lowering barricentral role in producing a "clear

> it also wants progress on bringing down national barriers to auditing. "If we really want the establishment of a single market in auditing services, auditors both individuals and firms should be able to move and practise freely in each of the member

programme of action".

states," said Mr Monti. Again the Commission is looking for the profession to

co-operate in these reforms and

ers for "migrant professionals" in

The Commission's gr disappointed the profession by distancing itself from any move to bring about a single regime for

auditor liability in the EU. Yesterday its statement did contain an admission that the issue "warrants further examination" and a study will be launched next year, although it is understood this will be subject to funds being

UNITED STATES -163.0 0.7623 -153.4 0.9836 -144.1 1.1541 -107.4 1.1833 -94.3 1.1017 -72.7 1.2745 -8.0 1.2381 -47.5 1.2957 -85.4 1.1705 -125.2 1.1857 -114.6 1.2028 73.5 64.5 180.50 94.2 87.2 185.11 83.7 75.5 196.58 79.8 67.0 151.51 70.6 53.4 151.87 50.0 28.6 183.94 77.7 57.4 156.44 95.2 85.7 154.05 118.6 112.5 130.31 121.9 110.6 120.99 101.4 65.5 121.43 242.7 248.5 254.4 272.6 310.1 324.9 327.6 330.9 325.2 360.3 404.4 100.0 127.7 138.8 153.7 147.0 132.5 143.7 150.7 161.0 184.9 204.8 17.8 130.87 187.8 12.2 132.92 182.0 12.2 132.90 180.8 15.0 137.43 176.9 102.5 103.0 101.6 104.8 -23.6 1.2997 -27.7 1.2570 -31.4 1.2362 62.3 63.7 64.6 64.4 7.0 131.98 8.0 129.85 4.3 133.43 9.4 132.49 4.5 132.84 2.8 133.12 4.8 130.87 4.8 134.91 4.8 137.21 6.4 135.84 3.8 138.24 140.92 34.3 34.5 34.2 34.4 34.2 33.8 33.6 35.4 34.9 186.8 187.9 182.1 182.1 181.8 180.7 183.1 178.2 176.8 176.2 175.7 1.8374 1.8480 1.8377 1.8528 1.8715 III UNITED KINGDOM II FRANCE I ITALY -5.4 1443.0 100.0 -1.4 1481.6 101.4 -2.1 1494.3 101.1 -8.0 1558.8 97.7 -17.0 1509.2 98.6 -18.0 1523.2 100.1 -17.7 1531.3 98.7 -21.5 1591.5 95.5 9.7 1836.7 80.5 13.1 1908.8 77.0 20.1 2106.4 69.4 -0.2 6.7942 3.0 8.7946 -3.7 6.9265 -3.4 7.0354 -3.8 7.0169 -7.2 6.9202 -4.9 6.9643 2.9 6.8420 5.4 6.6659 12.4 6.4480 -18.0 -2.5 -7.7 -8.9 -11.3 -9.3 -10.5 -8.0 18.1 18.8 22.0 100.0 102.7 102.7 100.6 . 99.6 103.8 102.1 105.4 109.1 110.1 113.4 114,8 113,9 113,4 113,2 .5.0 2061.0 -1.2 1976.7 10.7 1922.3 8.8 1918.4 2.4 6.3580 6.1 6.3281 3.2 6.3772 8.4242 56.2 58.0 58.2 57.8 -1.5 0.8208 1.0 0.8113 1.0 2054.8 2.0 2033.5 -1.1 2001.4 1.2 1969.6 -1.3 1953.1 2.4 1944.9 4.0 1912.2 4.8 1909.8 2.7 1918.1 5.4 1923.8 0.7 1913.2 1.3 1911.4 1.3 6.3508 0.5 6.3269 2.5 6.3221 1.7 6.3189 2.0 6.3434 0.8 6.3489 1.2 6.3797 1.5 6.4121 0.0 6.3665 1.8 6.4231 6.4532 6.4770 16.3 15.7 16.1 18.4 16.5 18.7 17.2 17.1 17.1 17.0 114.8 114.4 114.4 113.7 113.7 113.8 113.3 113.0 113.7 113.2 112.8 70.3 71.1 72.4 73.3 74.0 74.8 76.8 76.8 76.8 77.0 77.5 18.9 18.7 19.2 18.9 18.5 18.5 18.6 19.6 19.3

what, ED countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for in account, imports can be derived by subtracting the visible trade belience from exports. Export and import data are calculated on the FOS in, and trades imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June her West Germany. The nominal effective exchange rates are period avarages of Bank of England trade-weighted analysis. Data supplied by

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS



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of Bhopal victims 'immoral'

By Jenny Luesby

The International Medical Commission on Bhopal yesterday launched a bitter attack on the Indian government and Union Carbide, the US chemicals company, for neglecting victims of the world's worst industrial accident at Bbopal.

In its report on the medical condition of the victims. published yesterday 12 years after the accident, the commission claimed that survivors' ailments were "unrecognised, untreated and mistreated"

"At every point Union Car-bide has been as obstructive as possible," said Dr Rosalie Bertell, one of the commissioners. This had created an "immoral international situ-

The research is the first independent assessment of the impact of the 1984 accident on hundreds of thousands of survivors.

Between 4,000 and 5,000 people were killed by the release of 40 tonnes of poisonous pesticide from a plant owned jointly by Union Carbide and the Indian government. The commission, made up of 15 medical specialists from 12 countries, is the only team of international experts to have been allowed into Bhopal.

The commission found that the compensation procedure set up by the Indian government had been derailed by corruption. It also reported that local doctors had been obstructed in for Indian Trades Unions, their efforts to recognise victims and deliver appropriate healthcare by the government'a refusal to release relevant medical data. The commission said that around 200,000 survivors had suffered permanent damage to their health and partial or

permanent disability. However, the out-of-court settlement between the Indian government and Union Carbide, made in 1989, had been made without reference to the number of victims from the accident.

Treatment | China's four demands to restore dialogue
Taiwan's search for recognition

Taipei rejects Beijing's conditions

By Laura Tyson in Taipei

Taipei yesterday flatly rejected as "impossible" demands by Beijing that the island abandon its pursuit of international recognition as a condition for resumption of bilateral contacts severed in June 1995

The exchange of views came as Mr John Chang, Talwan's foreign minister, scrambled to shore up ties among Taipei's dwindling ranks of allies on a secret European trip, after failing

Up to 200,000 Indian

insurance workers staged a

day-long strike yesterday, to

protest against a proposed

parliamentary bill to give

statutory powers to a new insurance regulatory author-

Insurance unions say the

move is a first step to priva-

tisation and foreign invest-

ment in the state-run sector.

Offices of the General

Insurance Company and Life

Insurance Company, the two

state monopolies for general

and life insurance, were

closed yesterday to mark the

protest, Mr P.K. Ganguly, a

leader of the leftist Centre

said the workers "totally

opposed" moves to "open up

the sector to multinationals

and other foreign compa-

India's insurance sector,

fully nationalised in 1973,

remains untouched by five

years of liberalising reforms.

Foreign governments, nota-

bly the US and Britain, have

consistently lobbied the

Indian government to reform

the sector, several US, Brit-

ish and European insurers

have already established

joint ventures with Indian

strike over

Indian insurance

'privatisation'

diplomatic links.

oegotiator set out in Hong Kong's pro-Beijing Wen Wei Po newspaper four conditions for reopening a dialogue across the Taiwan Strait. Beijing broke off talks in anger at a visit to the US by Mr Lee Teng-hui, Taiwan's president.

Mr Tang Shubei, China's Taiwan negotiator, demanded Taiwan abandon its ambitions to join the United

partners in anticipation of

advocated three years ago in

an influential report headed

by Mr R.N. Malhotra, former

central bank governor,

which said the sector should

be progressively opened to private and foreign players,

largely in the interests of

improving competitiveness

and efficiency. But India's

previous Congress party gov-

ernment was slow to act on

Mr P. Chidambaram

finance minister, promised

in this year's budget to pro-

pose a bill empowering the

three-member regulatory

authority, appointed last

year; the move is due for

parliamentary vote in the

present session. The finance

minister also promised to

"revisit" the issue of insur-

ance liberalisation next

Hindu nationalist and lef-

tist politicians have said

they oppose the move.

India's Communist party

(Markist), which otherwise

supports the minority and

coalition United Front gov-

the recommendations.

Insurance reforms were

advanced weaponry.

"Communist China's demands are unreasonable. chairman, said the govern-There is no way we will agree to such conditions," said Mr Shi Hwei-you, vicechairman of the cabinet's Mainland Affairs Council (MAC). "The conditions are simply impossible." Mr Shi, whose agency is resumption of talks.

charged with shaping the

reverse its decision to cut ers to countries that recog- policies, said that, as a memiplomatic links. nise Beijing; give up dual ber of the international com- announcement in late China's senior Talwan recognition and halt imports munity, Talwan was entitled. November that it would of large amounts of to parallel contacts with other countries.

Mr Chang King-yuh, MAC ment would follow the "people's will" in developing its China policies. He added that the door for negotiations with China was always open and that Taipei would wait patiently for the

to persuade South Africa to Nations; stop sending lead- Taiwan government's China ingly isolated diplomatically switch recognition from Taipei to Beijing in one year. The loss of Taipei'e biggest ally has sparked speculation that some remaining allies altogether just 29 mainly small and poor countries in central America and Africa

may follow suit. Panama, Paraguay and the Vatican are said by analysts to be the most vulnerable to Taipel is feeling increas- pressure from Beijing.

NZ set to have new government today

By Terry Hall in Wellington

Mr Jim Bolger, New Zealand's caretaker prime minister, said last night that the country should finally get a government today, two months after a general election in which no single party emerged with a majority.

The make-up of the government is expected to be decided at an all-day meeting today of MPs from New Zealand First (NZF), the small populist party which holds the balance of power.

NZF, led by Mr Winston Peters, a former National cahinet minister, will debate whether it should join forces with the National party or a Labour-Alliance party coali-

NZF won 13 per cent of the vote in the general elections on October 12 Since then both the main

parties, National and Labour, have been courting Mr Peters, hoping to secure his party's support to form the new government. Pres-sure is building on Mr Peters and his team to announce its decision ahead of the opening of parliament on Thurs-

National and Labour MPs

ernment, has suggested it have agreed to the terms for would oppose the bill. a possible coalition agree-It argues liberalisation ment with NZF, which have been hammered out by party would lead to "capital negotiators. Labour spent



Balancing act: NZP party leader Winston Peters

most of yesterday in talks with Alliance, seeking its support - the last hurdle it needs to overcome before today's NZF meeting. The talks were described as "pos-

However, Mr Peters yesterday suggested that NZF may, after all, decide to retain its independence and not enter a coalition govern-

This would probably lead to the creation of a minority National government, the biggest single party, with NZF support on key confidence issues. NZF's 17 MPs are said to be evenly split between supporting National

Nstional, from which he resigned as a cabinet minister in 1992 after a series of public arguments with Mr Bolger, its leader.

However, Mr Peters is unpopular among National MPs, who have been wary of linking with him. He has, in recent weeks,

been emphasising "natural conservative" credentials. It is widely known that Mr Peters opposes a linkage with the more left-wing Alliance, whose support Labour would need to form a

majority coalition alongside

He faces a credibility problem whichever of the main parties he chooses to join, as his support base is drawn from discontented voters from both National and Labour.

Over the past five years Mr Peters has consistently criticised both parties, saying they were "the same horse but with different jock-

In the election campaign he reserved his greatest criticism for Mr Bolger, claiming he was "not fit to govern". Over the past two months, however, the pair have had more cordial meetings. Mr Peters said the time had come to "put the differences of the past behind us". Mr Peters is believed to Editorial Comment, Page 15

ASIA-PACIFIC NEWS DIGEST

Japan bank lowers rate

The Industrial Bank of Japan will lower its long-term prime lending rate by 0.2 percentage points to a record low of 2.5 per cent from tomorrow, it said yesterday. The cut in the prime rate - the interest rate that the IBJ offers to the most creditworthy corporate clients - was seen as further indication of continued easing of monetary policy in Japan in the foreseeable future.

The declining trend in long-term rates on the Tokyo money market was reinforced by the release in November of the Bank of Japan's quarterly "tankan" survey of : pusiness sentiment, which showed a weak recovery in business confidence.

Japan's two other long-term credit banks - the Long Term Credit Bank of Japan and Nippon Credit Bank are expected to follow suit.

Long-term credit banks customsrily set their long-term prime rates at 0.9 percentage points above the coupon on IBJ's most recent five-year debenture issue. The rate is reviewed when the debenture's coupon and its market yield differ by more than 0.2 points.

The IBJ's December five-year debentures for institutional investors will carry a coupon of 1.6 per cent down from the November issue, which carries a coupon

Gwen Robinson, Tokyo

Colour TV price war in China

A colour television price war in China is spurring sales, cutting the share of foreign brands and rationalising an industry which has capacity nearly three times that of demand, company officials and newspapers reported

Price-cutting began in March wheo the market leader, Sichuan Chang Hong Electric, lowered prices by 8 to 18 per cent. Other big domestic producers followed suit. The result was a rise in market share for the main Chinese producers and a drop in the share held by foreign brands and by small and medium-size Chinese makers. the Shanghai Securities News said.

Because of the price cut, Chung Hong's market share rose to 26 per cent in October from 16 per cent in March, with sales rising by 1.3m sets. It overtook Matsushita Electric Industry as top seller.

Chang Hong expects total 1996 sales of 4.5m sets, up from 2.6m in 1995 out of total national output of 58m sets. Reuter, Shanohai up 15.9 per cent over 1994.

N Koreans defect to Seoul

A group of 17 North Koreans arrived in Seoul yesterday. in what is believed to be the largest single batch of defections to South Korea. Officials fear the defections will be the start of an exodus of North Koreans because of food shortages in the North.

The North Koreans - 16 members of one family and a state policeman who guided them – were belped in their escape by a wealthy relative in the US, who provided funds to bribe border guards. The family travelled through China for six weeks before reaching Hong Kong and then flew to Seoul.

The number of North Koreans defecting to South Korea is still small, totalling just 140 since 1991, while another 1,000-2,000 North Koreans are believed to have escaped to Russia or China. The South Korean government yesterday submitted legislation that would establish settlement camps where defectors can stay for up to a year for questioning and vocational training. John Burton, Seoul

The long-running legal dispute between the Philippine government and Mr Eduardo Cojuangco, former chairman and major shareholder of San Miguel, the country's largest hrewery acquired under the Marcos

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Nigerian Trade Office Taipei, Taiwan ROC Tel: 886-2-7577101. Fax: 886-2-7577111.

Ruling in Philippine brewery fight By Justin Marozzi in Manila sequestered by the Presiden- The stake was subse- over the wealth of the Mar-

controversial businessman. Mr Cojuangeo, an ally of former President Ferdinand had previously exercised Marcos, is fighting to regain majority control of the group control of a 48 per cent share until the PCGG's intervenin the hrewing group, tion.

Government (PCGG) almost 10 years ago. The PCGG was established

by former President Corazon Aquino to recover assets thought to have been group, took another twist regime. Eight of San Migyesterday with a Supreme nel's 15-strong main board Court ruling in favour of the are PCGG appointees.

Through a network of companies, Mr Cojuangco

quently reduced slightly after a huy-back by San Mig- refused to comment. uel. Yesterday's Supreme Court ruling rejected a PCGG petitioo to block Mr

Cojuangco's attempts to oust the PCGG directors and now allows an anti-graft court to rule on his petition. Although such a court

usually has no jurisdiction from 94 per cent in 1990 to 80 over cases involving removal from office, the Supreme Asia Brewery introduced Court ruled "it may do so as cheaper brands, San Miguel an exception as when the recently increased its expocase involves, arises from, or sure to Chinese, Indonesian

coses. San Miguel vi

The ruling, which relates to one of the sequestered tranches amounting to 20 per cent of the equity, edges Mr Cojuangco's case against the PCGG a step forward. After seeing its sbare of local beer consumption slip per cent in 1996 as its rival is related to PCGG cases" and Hong Kong markets.

Ramos firmly on reform path

Edward Luce on new zeal after flagship tax bill passes congress

Philippines: looking good

Philippine central bank's decision to loosen monetary policy would have been interpreted as a routine measure. But government economists say that the cut last month in the minimum reservs requirement on domestic banks amounted to more than just mundane tinkering with banking regulations.

The decision, which is expected to be followed by

t any other time, the

further opening of the domestic banking sector to foreign competition next year, has been presented as the start of a new burst of reformist zeal for the last 18 months of the presidency of Mr Fidel Ramos.

With the summit of the Asia Pacific Economic Co-operation (Apec) forum out of the way, government strategists are now focusing on the next batch of reforms which had been put on hold because of wrangling over a flagship tax reform hill. Helped by the fact that the most controversial - and seemingly intractable - portion of the bill was pushed through on the eve of the Apec summit, the government has been given "a new lease of life" according to

The next, and possibly last, generation of Ramos reforms include the US\$5bn privatisation of the national power corporation, a push to contract out government services to the private sector -. including bealth, education and state pension funds and liberalisation of the protected retail sector.

one official.

income tax, further measures aimed at simplifying the tax treatment of corporate debt and to boost the development of a more sophisticated local capital market are before congress. Mr Ramos is also keen to

· Mr Roman Azanza, chairman of the capital markets development council, a government body, said getting the tax bill through congress showed that the government "is prepared to really push congress when it needs to". "In comparison, the next

and police force.

viding for simplification of pieces of legislation should personal and corporate be less controversial," he

70.5%

35.7%

The tax law is regarded as the single most important economic reform undertaken by the Ramos government. Its success "shows that the government can summon the political will to face off sceelerate reform of the powerful vasted interests," widely disrespected judiciary said Mr Jojo Gonzalez, an analyst at Jardine Fleming in Manila. "It would have been difficult to imagine this

outcome a few years ago." It also fulfils the country's last major pledge to the International Monetary Fund under a three-year programme that expires in

"Revenues from the new tax system will remove a serious obstacle to sustainable high growth in the Philippine economy," said Mr Neil Saker, regional econo-mist at Crosby Securities in Singapore. "There are other problems such as the widening trade deficit but regular government surpluses should help keep a lid on the current account deficit." The government still faces

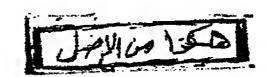
opposition in the next few weeks as it deregulates the oil industry and raises petrolprices. Petrol pump increases were postponed last month to prevent street demonstrations coinciding with the Apec summit And Mr Ramos'e opponents say the divisive issue of abolishing the presidential term limit, which would allow him to stand for a second six-year term when this one expires in May 1998, will be pushed into the political limelight. Mr Ramos managed to keep the issue on the "backhurner" while attention was focused oo enacting the tax bill.

A successful Apec summit may have been Mr Ramos's last piece of good news for the next few months.

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A PALATA

UK to follow US in pulling out of Unido

The British government is to pull out of the United Nations Industrial Development Organisation, Unido, at the end of next year because the UN has failed to sort out overlaps between its specialised agencies involved in economic development.

The US decided to quit Unido a year ago and will do so at the end of this month. The UK decision is significant because it breaches European Union solidarity in support of Unido, which was relying on the EU and Japan for more than 70 per cent of its \$78m regular budget in the wake of the US with-The German cahinet is

tomorrow due to discuss s ecommendation from Mr Carl-Dieter Spranger, German minister for economic co-operation and develop-Unido at the end of 1997. With the UK and Germany

between them contributing 20 per cent of Unido's 1997 regular funding. German withdrawal would almost certainly cripple the organi-

opment Programme (UNDP) and/or the Geneva-based UN Council for Trade and Development (Unctad).

The UK decision was broken to Unido staff at its Vienna headquarters yesterday. Baroness Chalker, the UK overseas development minister, had earlier written to Mr Mauricio de Maria y Campos, Unido's directorgeneral, saying the UK was no longer convinced it was needed as a specialised institution. Lady Chalker was

not svailable for comment A shocked Mr Maria y Campos said there was "a major contradiction" in Lady Chalker's arguments. She had welcomed cost-cutting, anti-hureaucratic reforms he had spearheaded since taking charge of the organisation in 1993 but was now making Unido the ent, that it too should quit scapegoat for the UN's general lack of progress on

reform. "Hitting out at the one UN organisation that did most in terms of reform is a powerful disincentive to reform. We did our job and took the lead sation, probably forcing it to in the UN system. Broader

consider merging with the UN reform is not within the New York-based UN Devel- realm of Unido," he said.

Unido earned its reputation as a bloated. top-heavy, overpaid hureancracy under its previous director-general, Mr Domingo Siazon, now Philippine foreign minister. It also fell out of favour with the US because of its close work with the command economies of developing countries influenced by the former Soviet bloc.

Its role changed dramatically after the cold war and Mr Maria y Campos has removed a layer of senior management and balved staff to about 750. One of its new roles is as agency for implementing the Montreal Protocol on pollution in the transitional economies of central and eastern Europe.

However, it has also hecome the most obvious target through which the paymastere · comprised mainly of western Europe, North America. Japan and Australasia could prove UN agencies could be dismantled as well

NEWS: INTERNATIONAL

OECD member states allocate an average 5.8% of GDP for schooling

Spending on education stagnates

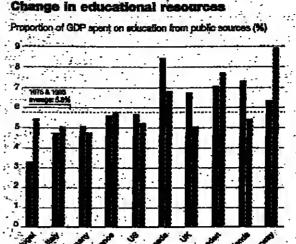
By Simon Targett,

Education Correspondent

Education spending as a proportion of national income has stagnated over the past 20 years, according to figures released vesterday by the Organisation for Economic Co-operation and Development. Yet, for all this, student participation in post-compulsory education has actually risen because of a significant falling hirth rate in the 28 OECD member countries.

Countries spend between 3.5 per cent (Greece) and 9 per cent (Norway) of gross domestic product on education. The average spend is 5.8 per cent, and both the UK and US allocate less than this, having seen their education expenditure decline marginally since 1975. Japan spends just 3.6 per cent of GDP on education.

While some countries invest in a mass system, others invest heavily in individual students. At tertiary level, Switzerland spends an annual \$15,700 per student, or \$64,500 over the whole study period. By comparison, Mexico spends \$4,300 annu ally per student, or \$11,300 for a complete course.



UISA, MAKING BUSINESS LIFE ERSIER.

teachers' pay, and again there is great variation.

Primary school teachers in Turkey can expect a starting salary of just over \$8,000. compared with those in Switzerland where the remuneration totals more than \$30,000. Some countries prefer to but more money into cutting class sizes rather than giv-

ing big bonuses to individual

teachers. In the US, primary

A significant outlay is sverage \$49,600, but the pupil-teacher ratio is nearly earn just \$25,600, hut the pupil-teacher ratio is a healthier 11:1.

There is also a variation in the number of hours children spend with their teachers in class Across the OECD spectrum, the average is 908 hours a year for 12 and 935 for 14 year-olds. For

this age group, slightly more

(28 per cent) is allocated for developing language skills than for mathematical and scientific skills (24 per cent). But the range of instruction hours ranges from less than 700 hours (Turkey) to nearly 1,100 hours (Austria).

If there are significant regional differences in spending policy, the global level of resources earmarked for education has not changed substantially since the 1970s. Yet participation in education after the age of 15 or 16 has boomed, particularly in some southern European countries, and the concludes that so-called "upper secondary" education - broadly 16-18 year-olds - has become "the

While participation in post-16 school education has levelled off around the 86 per tugal it has doubled. However, such marked improve ments mask still low levels of nstional participation, with fewer than 25 per cent of Turkish 25-34 year-olds having completed this level

of education. In Italy, one of the richest countries in Europe, less than half the population schooling

The OECD figures show that a growing minority is completing tertiary education, with the average jump ing from 19 per cent for 45-54 year-olds to 23 per cent for 25-34 year-olds. Some of the "catching up" has taken place in Europe, notably in

Participation in education after the age of 15 or 16 has boomed, particularly in some southern European countries

Ireland, France, Greece and

Canads stands as the most educated nation, with more than 50 per cent of those aged 25-34 graduating with a tertlary level qualification. By comparison, in Italy and cent of the same age group has reached an equivalent standard.

Education At A Glance OECD Indicators. Available from OECD, 2 Rue Andreaged 25-34 stayed on after Pascal, 75775 Paris, Price; \$50

INTERNATIONAL NEWS DIGEST

Surprise Iraqi visit to Jordan



moving closer to improved economic and political ties following a surprise visit by the Iraqi foreign and trade ministers to Amman at the weekend. Meetings between Mr Mohammed Saeed al-Sahhaf, Iraq's foreign minister, who held talks with Jordan's King Hussein, and Mr Mohammed Mehdi Saleh the trade minister, who met Mr Abdul-Karim al-Kabariti, the Jordanian sed of 32 ad 34 96 ad 97 prime minister, came ahead of official clearance for the United Nations

food-for-oil deal. Mr Boutros Boutros Ghall, UN secretary-general, certified yesterday that all the conditions set by the Security Council had been fulfilled to allow Iraq to resume limited oil exports.

The meetings went ahead despite cool relations between Jordan and Iraq, following Amman's offer of refuge last year to opposition members.

The weekend visits had an immediate effect on Jordanian stocks. The Amman financial market's 60-share index moved up 0.91 per cent to 155.11, its highest level since February. Bankers said trading was especially strong for vegetable oils, pharmaceuticals and chemicals stocks, which Jordan exported to Iraq before the 1990-91 Gulf war and which are permitted to be exported to Iraq under the oil-for-food deal. Judy Dempsey, Jerusale See Commodities, Page 28

Israel seeks further cuts

The Israeli cabinet yesterday agreed additional budget cuts of Shkl.2bn (\$367m), signalling the government's determination to reduce the budget deficit and reassure foreign investors and the markets that it is committed to structural reforms.

The combined Shk6.1bn cut will be presented to the Knesset later this month, where it will face tough opposition. But Mr Benjamin Netanyahu, prime minister, and Mr Dan Meridor, finance minister, are confident it will be passed. Mr Netanyahu said if "we don't cut, let there be no doubt that we will pay with a deterioration in our standing in the financial markets and in our credit

Approval of the budget cuts could pave the way for lower interest rates, which the business community has been clamouring for as high interest rates and an overvalued shekel has hit profitability.

The cuts are aimed at bringing the hudget deficit down from 4-4.5 per cent of gross domestic product this year to 2.8 per cent next year, a target which may prove elusive given lower than expected revenues this year and sluggish economic growth. But even if there is a revenue shortfall, Mr Netanyahu insists he will not resort to raising taxes to reach the target.

Gulf states take tough line

Leaders of six Gulf states yesterday condemned the policies of Iraq, Iran and Israel, as well as the "interference" hy some of Iraq's neighbours in northern iraq, an apparent reference to Turkey, in a strongly worded communique at the end of their annual summit in

The Gulf Co-operation Council states - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates - own nearly half of proven global oil reserves. The GCC condemned Iraq for failing to meet all UN resolutions relating to the 1990-91 Gulf war, particularly its refusal to disclose details of its weapons of mass

The communiqué also criticised a weapons build-up by fran, and its deployment of surface-to-surface missiles, which exceeded its "conventional" defensive needs. Gulf leaders condemned Israel, which was called on to sign the nuclear non-proliferation treaty and allow

inspection of nuclear installations. For the fifth consecutive year, the GCC also called on Iran to end its occupation of three Gulf islands claimed by Robin Allen, Dubai

Mary Leakey dies at 83

Mrs Mary Leakey, the famous fossii hunter who in 1978 discovered footprints that are the oldest evidence of the origins of man, died in Nairobi early yesterday, aged 83.

Mrs Leakey and her husband, anthropologist Louis
Leakey, who died in 1972, together discovered the fossils of the 1.75m-year-old *Homo habilis* in a dig at Tanzania's

Olduvai Gorge in 1964. Her 1978 discovery of footprints in volcanic ash at Lactoli in Tanzania revealed that the human ancestor Australopithecus afarenses walked fully upright much earlier than was previously thought. The footprints are believed to be 3.6m years old.



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NEWS: WORLD TRADE

WORLD'S TRADE MINISTERS MEET IN SINGAPORE

WTO progress on textiles and customs

By Guy de Jonquières, James Kynge and Frances



dispute over textiles December 1996 deeply divided rich and poor

The US and Canada finally dropped objections to the wording of a declaration which implicitly calls on western countries to speed up the elimination of curbs on imports from developing

Ministers also agreed to instruct the WTO to study simplification of customs procedures - a move which has long been a priority for international husiness

The mioisters further liberalisation of telecommunicatioos markets, amid growing optimism that they can conclude negotiations by

tan, EU trada commissioner, negotiate an IT agreement. boped the WTO's five-day As far as Malaysia is conministerial meeting, which opened bere today, could "break the back" of the

Progress was also evident in talks on an agreement to free global trade in information technology products to work for the conclusion of

China's WTO application is unlikely to be high on the Ouad agenda

Barshefsky, acting US trade representative, said after an hour-long meeting that they had made useful progress. But they said further work remained to be done if an IT sought to accelerate talks on deal was to be struck this

However, Mrs Rafidah Aziz, Malaysia's international trade minister, was the deadline for a deal in far more negative. "We did mid-February. Sir Leon Brit- not come to the WTO to

cerned - No?

Mrs Rafidah said she helieved her views were shared by other members of the seven-country Asaociation of South-east Asian Nations. The US and the EU insist that the success of the IT negotiations hinges on the active participation of leading south-east Asian countries.

The IT agreement is expected to he discussed at a meeting here today of ministers of the "Quad" powers – the US, EU, Canada and Japan. Sir Leon, who convened the meeting, said its main objective was to issue a statement of political support for the success of China's stalled negotiations to join the WTO.

However, his enthusiasm does not appear to be shared hy Washington, in spite of a receot agreement hetween Mr Bill Clinton, the US presideot, and China's President Jiang Zemin to seek ways to speed up the membership

said China's WTO application was unlikely to be high



Canada's trade minister Arthur Eggleton addresses yesterday's opening session of the World Trade Organisation ministerial meeting in Singapore. His country and the US made concessions on import restrictions on

agenda.

sign yesterday of any narrowing of divisions between

on the Quad ministers' US demands that they address trade and labour However, there was little standards and an EU-led campaign to launch work on the relationship hetween WTO members over other trade and foreign direct

EU doubts on |Health **BA-American** alliance plan

By Nancy Dunne in Washington and agencies

The European Commission still has "serious doubts" about whether to clear the alliance between American Airlines and British Airways and indicated that recent suggestions to sell slots would not compensate for London. the alliance's possible threat to competition.

"Selling slots is not some thing we can accept, an EU source in reference to a British government statement that it would clear the alliance if the two companies met certain conditions, including giving up 168 landing slots at London Heathrow airport, British Airways responded that it would divest of slots only "on the basis of fair market value".

The EU sources said that the companies should cede more than 168 slots and that they should give them away rather than sell them. EU sources also noted that

on certain British-US destinations the companies would control a large proportion of the passenger traffic. The US is taking a hard-

line stance on the issue and is linking the proposed alli-ance with a hilateral "open skies" deal. Washington also insists that it would not be interested in the BA-American Airlines deal without "open skies". American Airlines has yet

to ask the US transportation department to rule on the alliance. "We could apply right now but because there is no underlying hilateral law, the likeliest outcome would be dismissal," said Mr Rob Britton, spokesman for American Airlines, "It's kind of a chicken and egg situa-

United, which also flies into Heathrow, praised the UK ruling on slots as a "step in the right direction" toward opening Heathrow to more competition."
Mr Cyril Murphy, a senior

ever, said that other issues had not been addressed, such as Heathrow facilities or slots at the key airports of Chicago and New York.

Another airline official said the UK statement would have been more "useful" if It had been released before last week's "open skies" talks in US aviation officials have expressed disappointment

over "the lack of progress" in US-UK air liberalisation talks beld in London last week, hut at least ona ohserver said important agreement had been reached on pricing and other more minor points.

A US transportation department official said the US was considering future steps but that no date has been set for further "open

The US has set out 11 demands - including open airport access - which were accepted in other "open skies" deals negotiated in

"If we give the Brits anything else, we'll have 11 govemments wanting to renegotiate their agreements." Senate staff member said.

However, one airline official said agreement was reached that, under US-UK "open skies", both governments would have to disapprove proposed fare changes to block airlines from charging the prices that they wish. Governments, be said, would want to maintain the "double disapproval" rule in order to curb predatory pric-

Mr Britton said he was "optimistic" about the talks and hopeful that negotiators would meet again just after the start of the new

There is a lot of will in Washington to get this deal done," he said. "Nobody at State or the Department of Transportation would have the appetite for calling this

United Airlines official, how- Editorial comment, Page 15

officials cool on drugs proposal

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Health officials from several European Union countries yesterday gave a cool receptton to proposals by the pharmaceuticals industry to curh sale of cheap drugs from southern Europe to northern Europe, where drug prices are higher.

However, Mr Martin Bangemann, the industry commissioner, seld be would press ahead with proposals to dilnte the power of governments to set drug prices

Mr Bangemann was hosting talks in Frankfurt between health ministries and the drngs industry about completing the single European market in medi-

The talks were given greater urgency by a European Court of Justice ruling last week allowing importers to take advantage of different drug prices across Europe, even though drugs companies had argued they could not raise prices to prevent the trade.

Mr Jan Leschly, chlef executive of UK drugs company SmithKline Beecham. was one of the many industry executives to argue that such parallel trade forced prices lower across the Union, effectively imposing the pricing policies of one country on to others.

He warned that this encouraged companies like his to invest more in the US. where prices were set hy market forces, at the expense of Europe. Industry executives urged measures such as a block exemption from the single market for drugs, or a stngle price across Europe plus the ability to offer discounts to gov-

ernments but not importers. But Mr Kimmo Leppo of the Finnish health ministry said that it would take a long time before health policies that affected drug prices converged enough to affect parallel trade.

And Mr Vittorio Silano, director general of ... Italy'sministry of bealth, argued that prices of some : drugs, especially new launches that had a mononoly, were already too bigh.

Another bealth official said: "Why sbonld we do anything at all about parallel trade?" He argues that drug prices were converging. anyway so the problem would disappear within a

few years. Mr Bangemann disagrees. He said there was a contradiction between a singlemarket among countries and a system where prices were controlled by individual governments.

Within three months. there would be a working paper and within six months proposals to introduce an element of free market competition to drug pricing. said Mr Bangemann. The contents of the working paper and proposals would be worked out through further consultations.

Health ministries should he aware that low drug prices did not necessarily system because higher prescribing levels often resulted.

Ministers urged to do more for poor

Developing nations deserve duty-free entry to rich markets, says UK charity

By Frances Williams

Christian Aid, the UK-based charity, yesterday arged WTO ministers to do more to belp the world's poorest countries benefit from trade.

In a report released for the first day of the WTO meeting in Singapore, Christian Aid said the least develfailed to gain from freer trade. Instead, they had become increasingly mar-

omy. action and n "Cbristian Aid believes commitment.

there must be action to support poor countries if they are to become independent members of the global eco-nomic family," said Mr Peter Madden, co-author of

the report. Christian Aid expressed particular disappointment that richer nations had watered down the plan of action for LDCs proposed oped countries (LDCs) had earlier this year hy Mr Renato Ruggiero, WTO directorgeneral. Ministers are due to endorse the plan in Singaginalised in the global econ- pore but only as a guide to action and not as a binding

commitment hy at least adopting [Mr Rnggiero's] proposal for dnty-free access to rich-country markets for the least developed countries," Mr Madden said.

Christian Aid also called for increased technology transfer, aid and debt relief, and protection of LDCs from the negative consequences of the Uruguay Round trade accords, especially the agricultural agreement which is expected to raise world food prices over the long run by cutting subsidised exports.

"The WTO could show Marrakesh in 1994 ministers pledged help for poor foodimporters to meet higher food bills resulting from the Round, but LDCs complain that little has been done.

The 48 countries defined by the United Nations as least developed, most of them in Africa, had seen their share of world trade fall by more than half over the past 20 years, the report noted. Their 570m people represent 12 per cent of the world's population but only 0.4 per cent of international utting subsidised exports. trade, less than balf the At their last meeting in exports of Ireland.

• Friends of the Earth International yesterday called for the WTO's trade and environment committee to be abolished, saying its proceedings were a waste of time and threatened to stand in the way of environ-

mental progress. The World Wide Fund for Nature (WWF) also expressed its disappointment; it said the work of the committee called into question international environmental agreements and ecolabels that Identified goods made in an environmentally

EU and US head for fur trade showdown

By Caroline Southey in Brussels

European environment ministers yes- some leghold traps. Howterday delayed until next March their threat to ban imports of fur from coun-

tries using leghold traps. The ministers agreed to promise, calling on the EU to the delay in the hope that insist on the toughest stanprogress could be made in negotiations on banning the use of leghold traps. But the ministers called on the Commission to prepare for the import ban hy drawing up a

list of target countries. Mr Brendan Howlin, the Irish environment minister. said it was important to send a strong signal to negotia-

ting partners.
The EU has already twice delayed imposing the han. The US has threatened to take the EU to the World Trade Organisation if the

ban is imposed.

appeared to have receded changes in the negotiating deal with Canada and Russia Union on restricting the use of ever, some EU ministers. notably from the UK, Ger-

> yesterday rejected the comdards. Under the compromise deal steel-jawed traps would be banned after four years. But padded and aquatic and orchids.

many and the Netherlands,

traps would be excluded. Mr John Gummer, the UK environment secretary, said deal with Russia and Canada was unacceptable. "This is Negotiators have tried to draw a distinction between steel and other traps. This is

not a distinction the council is prepared to accept." He said most ministers

after EU negotiators struck a stances" of the main furproducing countries. The tough stance taken by

environment ministers suggests a deal with the US on hanning even some traps will be impossible. The US has rejected the terms of the compromise deal. EU environment minis-

ters yesterday tightened controls on trade in endangered animals and plants, such as rhinoceroses, tigers, parrots New rules, which have

taken years to agree, are intended to improve control the proposed compromise and monitoring measures for wildlife traded across the EU to take account of looser bornut an effective safeguard. der controls under the single market.

The amendments update the EU's implementation of promises made to the 134memher Convention on mean a cheap health care Trade in Endangered Spe-

The threat of a ban expected "more substantial cies, or CITES. Franco-German contest for \$500m Chile submarine deal

By Imogen Mark in Sentiago

Chila will ehortly select the supplier for a submarine contract worth at least \$500m. The final decision will have ramifications for regional security issues and the German and French weapons industries.

A aenior government source confirmed that the choice, originally among four potential suppliers, has now been whittled down to two consortia - a German Arms Control and Disarmagroup led by HDW [Howaldtswerke-Deutsche Werft] and a French-Spanish venture, DCN-Bazán.

The other two contenders, which are now out of the race, were Sweden's Kockums shipyard with the Gotland class sub, and the UK, which was offering four Upholders. The Upholders standards of a nuclear subwere being offered at a very competitive price, but were apparently ruled out because only at an advanced design of the high cost of mainte- stage and there are

named the type 209, has been successfully utilised by other South American navies. Chile · already has two. known as the Thomson and the Simpson, and Argentina, Brazil, Colombia, Venezuela, Peru and Ecuador all have

Germany has been a leading weapons supplier in the South American market in the past decade, with sales worth \$2.4bn, according to the latest report from the US ment Agency, ACDA. If it wins the Chilean contract the shipyard group will consolidate its strong position in the region.

The French-Spanish offering, the Scorpene, represents a new generation of submarines. Its manufacturers say it will be designed to the marine but with a conventional engine. However, it is as yet no other firm The German product, orders.

Both the type 209 and the Scorpene cost around \$250m region. aplece. Chile's decision ls expected early next year. and the new suha will replace two older UK Oberon class machines. Chile'a other big acquisition plan is for a minimum of 12 fighter air-

The air force is known to have its eye on the Lockheed Martin F-16s, though these are not formally on offer the US government has banned sales of advanced combat aircraft to Latin America for the past 20 years. But the US industry has

been lobbying hard for a change of policy, and its arguments bave been reinforced by Peru's recent purchase of 12 MiG-29s from liamentarians. Before leav-Belarus. Washington has for-mally expressed its "disappointment" to Lima at the purchase. However, the They also receive 10 per cent Argentine defence minister, of annual sales revenues. Mr Jorge Dominguez, bas \$250m-\$300m a year, from asked Washington not to sell Codelco, the state copper

If the US ban stays in place. Chila's alternatives are the Gripen from Sweden's Saah or France's Mirage 2000-5. The Chilean air force say the new aircraft would replace about 30 of its Cessna A-37 Dragonflies. Bnt a Chilean defence analyst, Mr Raul Sohr, points out these are a light ground attack aircraft, while the proposed replacements are top-of-the-line combat jets.

At 2.6 per cent of its GDP: \$2bn last year, Chile's defence budget is among the bigbest in South America, according to PAL a research centre for government paring power in 1990 the armed forces set an index-linked floor for defence spending. combat aircraft to Chile, corporation, for use exclubecause "it is not approprisively for arms purchases.

PRODUCTOREDROPERTEDENTIANDE PIPER REPORT OF THE PROPERTY O









Chevron Asiatic Limited, Texaco Oil Development Company, Ampolex (A.O.E.) Ltd, and Shell Development (Australia) Proprietary Ltd, through their joint venture operator West Australian Petroleum Pty Limited (A.C.N. 009 085 367), seek expressions of interest for the purchase of the following oil and natural gas related assets located onshore in Western Australia.

1. Production Licences L1 and L2, which include the Dongara gas field and several oil and gas exploration and development opportunities. The licences also contain the Mondarra gas reservoir which is well located and has the demonstrated capability 2. The West Australian Natural Gas (WANG) transmission system which includes a 350mm (14 inch) diameter pipeline and

associated compressor stations, lateral pipelines and meter stations. The system runs 412 km from Dongara through the Perth

metropolitan area and nearby industrial corridors to Pinjarra and provides services to various industrial gas users. For much of

its length, the WANG pipeline runs parallel to the Dampier to Bunbury Natural Gas Pipeline (DBNGP), the major natural gas transmission line serving Western Australia. The WANG pipeline connects to the DBNGP at Mondama. The acquisition of these assets would provide a unique opportunity for an immediate strategic role in the Western Australian domestic natural gas market for which very significant growth is expected over the next decade, Expressions of Interest to Purchase close 31 January 1997. For further information and to obtain a sale information brochure,

contact Mr J E (Jim) Wisner by phone on (61) 9 263 6357 or by facsimile on (61) 9 263 6203. All correspondence should be addressed to the state of th

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FINANCIAL TIMES TUESDAY DECEMBER 10 1996 *

NEWS: THE AMERICAS

US to burn or bury surplus plutonium

By Patti Waldmeir in Washington

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Plutonium left over from 50 years of cold war nuclear weapons production will be encased in glass and buried, or burned in nuclear power plants, as part of a \$2bn US

government disposal programme. Ms Hazel O'Leary, energy secretary, was expected to announce last night that her department had decided on a plan to dispose of surplus plutonium from the US nuclear weapon stockpile over a period of several years. The deci-

sion follows years of debate over how to get rid of plutonium from burn some of the material, after dismantled warheads and nuclear combining it with conventional rejected alternatives such as facilities.

The issue of disposal has been chal generating plants. one of the thorniest confronting the former cold war opponents, Russia and the US, as they shrink their nuclear arsenals.

Officials say they needed to find a disposal programme which would persuade Russia the US would not later retrieve the material for new weapons production.

then be used as fuel for commer-

plutonium to nuclear reactors in for tens of thousands of years. Canada, though this has been opposed by Canadian environmen-

Some will also be "immobilised" blocks and placing it in a perma- produced about 98 tons of pluto- substance.

For this reason, they opted to nent underground repository. The department considered and the late 1980s.

Keeping the material in storage would be easier and cheaper, but would raise tha risk that plutonium could fall into the hands of nium before ending production in

The disposal plan is part of a waste from weapons production nuclear power plant fuel. It would launching the plutonium into larger programme to disassemble space, sinking it in the ocean or US nuclear weapons. US defence retaining it in secure storage. Plu-strategy foresees the maintenance The department is continuing to tonium, the basic building block of of a reduced ouclear arsecal. explore the option of sending the nuclear weapons, stays radioactive Shrinkage of that arsenal raised the issue of what to do with surplus plutonium.

Anti-nuclear activists have opposed burning any of the material as fuel, fearing this could lead by encasing it in glass or ceramic rogue states or terrorists. The US to routine commercial use of the

yonthful and personable

leader. Mr Wright predicts the Tories could end up with

30-40 seats in the next parlia-

ment, mainly from Ontario

and Atlantic Canada. "Char-

est's momentum is quite sig-

The risk for the Tories

however, is that as in 1993,

Reform could draw off

enough right-of-centre votes

in many constituencies to

hand victory to the Liberals.

Mr Taras says "the Tory

problem is thet they're not

concentrated in one region".

Another setback on the scale

of 1993 could be the party's

The NDP faces even more

daunting odds. Voters show

no sign of being excited by

the party's platform, espe-

cially after fiscal misman-

agement in recent years by

NDP provincial governments

in Ontario and British

Columbia. The federal par-

ty's new leader. Ms Alexa

McDonnough, has disappointed even NDP loyalists

by keeping a low profile. She

has yet to run for a seat in

Political observers are

nificant," he says.

death knell.

parliament.

AMERICAN NEWS DIGEST

Israel lobby group setback

Opponents of the American-Israel Public Affairs Committee (AIPAC) yesterday hailed a court ruling that could make the pro-Israeli lobby group subject to federal election campaign regulations. The opinion by the US Court of Appeals in Washington reversed a finding by the federal election commission that AIPAC was not a political organisation.

If the commission acts on the ruling, AIPAC will have to make regular reports on its contributions to the election commission and limit them to no more than \$1,000 per candidate. In an 8-2 decision yesterday the court said the lobby group qualified under federal law because it gave contributions of more than \$1,000.

"This decision is the beginning of the end of the stranglehold that the Israeli lobby has had on US Middle East policy," Mr Richard Curtiss, a former US Information Agency official said. He was one of six individuals whose lawsuit against the election commission led to the ruling. The FEC could appeal against the decision to the US

Uruguay referendum close

The result of a referendum on vital constitutional reforms in Uruguay is so close that absentee ballots may decide the issue, election officials said yesterday.

The ruling coalition formed by the Blanco and Colorado parties together with the Social Democratic Nuevo Espacio, supported the measure. The left-wing coalition

rente Amplio led the opposition. The reform package would change Uruguay's presidential selection process by limiting parties to a single presidential candidate chosen in primary elections. Presidential elections would have two rounds, the second between the top two vote getters. It would also strengthen presidential powers and modernise Uruguay's election

Bank for native Canadians

Mr Jean Chrétien, Caneda's prime minister, joined native leaders yesterday for a ceremony in Toronto's financial district at which the charter of the First Nations Bank of Canada was signed, Indian chiefs engaged in the project hope the bank will provide seed money to entrepreneurs, enhancing the strength and diversity of Indian-owned

Though Canada's Indians and Inuits own an estimated 20,000 businesses, most are small. The new bank is a partnership between Toronto Dominion, Canada's fifth biggest bank, and the federation of Saskatchewan Indian chiefs. Toronto Dominioo is investing C\$8m (US\$5.9m) and the federation C\$2m, but 75 per cent of the profits will go to the Indians.

Poverty surge in Venezuela

The percentage of Venezuelans living below the poverty line surged from 34 per cent to 74 per cent this year, as the second IMF-approved adjustment plan in seveo years got under way. A report by the National Economic Council found that a typical family market basket cost \$257 a month, while the minimum wage stood at the equivalent of \$112 a month. Venezuela was rocked by a wave of rioting and looting in February 1989 that left dozens dead and hundreds injured, followed by two failed military coups that year.

Next election could be make or break for four of five parties, writes Bernard Simon

Canada's opposition fights for its life

election, likely to be called within the next fewer than four of the five credible alternative. parties in parliament.

Evidence of the high stakes at play has surfaced right-of-centre Reform party, cent, including several of the party's most respected mem- the seeds of the present turbers, have made known their moll on the opposition intention not to stand again. benches by breaking the tra-Last week, Mr Michel Gan-

thier announced his intention to quit as leader of the Bloc Quebecois, the group representing Quebec secessionists in the federal parlia-

thought and expression [in nine years from 1984, were the BQ] necessary to fight an election." Mr Gauthier said after meeting his caucus.

Meanwhile, the 176 members of tha ruling Liberal party, led by Mr Jean Chrétien, the prime minister, are enjoying more support now than when they were elected to the 295-member parliament in October 1993. While this is a fall from 52 per cent in October and from a peak of 63 per cent in February 1995, it is still up from 43 per cent of votes cast

three years ago. However, Mr John Wright, over as premier of Quebec.

· .. • = **

senior vice-president s Angus Reid, cautions that "support for the government 12 months, is shaping up as is somewhat hollow", a life-or-death struggle for no reflecting the absence of a Rumblings of discontent

have surfaced in recent months over the slow ecoon several occasions in nomic recovery and stubrecent weeks. More than bornly high unemployment half-a-dozen members of the rate, which is almost 10 per

The 1998 election sowed ditional dominance of Canada's three national parties the Liberals, the right-of-centre Progressive Conservatives, and the social-democratic New Democrats.

The Tories, who had "There wasn't the unity of formed the government for routed, ending up with just two seats in the House of Commons. The NDP won only nine.

The opposition is now dominated by the two young regional parties - the Bloc Quebecois, with 53 seats, and Reform, with 51. (The remaining four seats are held by independents.) All According to the latest the BQ seats are in Quebec, Angus Reid-Southam News and all but one of Reform's poll published yesterday, the MPs represent constituen-Liberals enjoy the support of cies in the four western 47 per cent of decided voters. provinces.

> The BQ was moderately effective until its driving force, Mr Lucien Bouchard, left earlier this year to take



Jean Chrétien: ruling Liberals on a high

lasted just nine months in tion next March, the job, lacks Mr Bouchard's Reform has charisma. Mr Bouchard himself has undermined the only unifying plank of his former party's platform by putting deficit-cutting and economic revival ahead of indepen-

Many Bloc MPs, who planned to be in Ottawa for But oeither the BQ nor just a few years pending Reform has had an easy ride. secessioo, are dispirited. Although the BQ remains the most popular federal party in Quebec, the Liberals have parrowed the gap. The BQ also faces the risk of a dipped to 36 per cent. from

Mr Gauthier, who has divisive leadership conven- 52 per cent in 1993. By conbroaden its base, and may per cent to 43 per cent.

even have narrowed it. Many of the issues that attracted voters in 1993, such as fiscal discipline and a crackdown on crime, have been appropriated by the Liberals. According to Mr David

the University of Calgary, "the Liberals have forced Reform even further to the right". In Alberta, Reform's

trast, the Liberals' approval Reform has failed to rating has climbed from 25

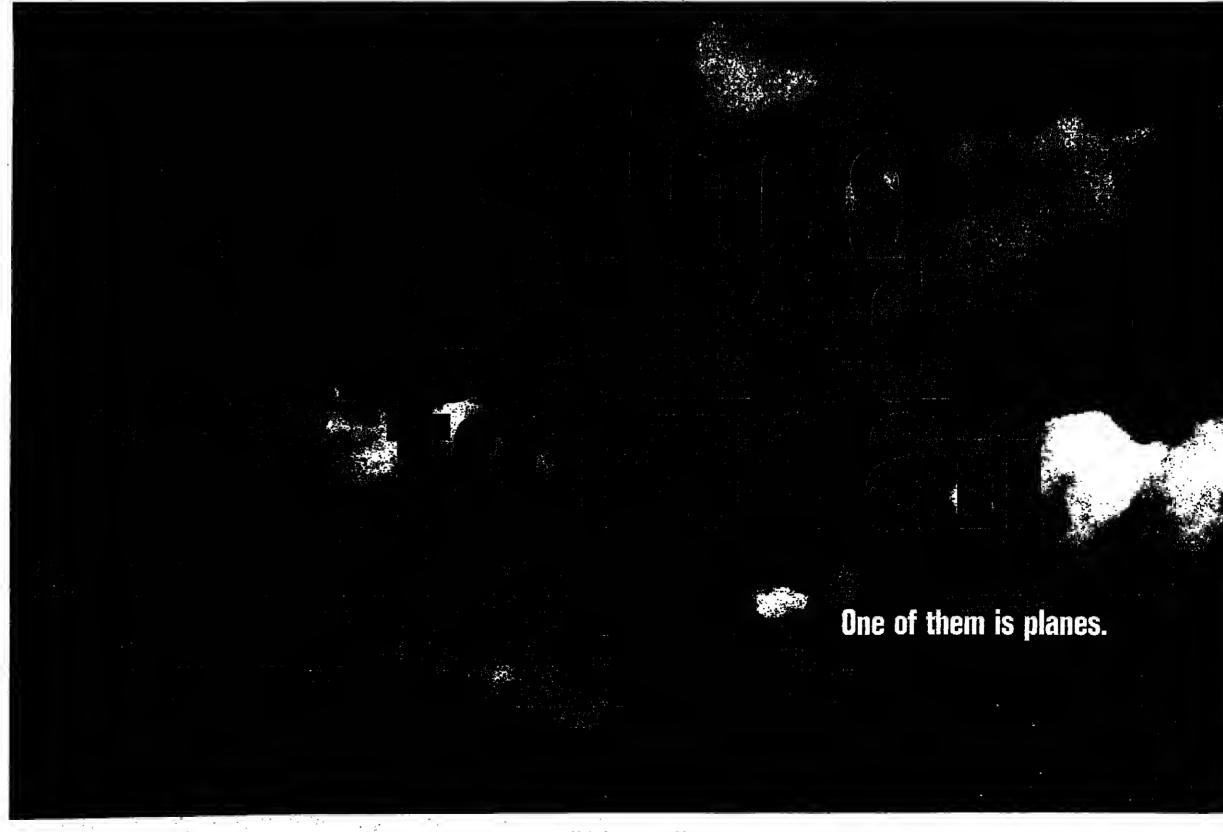
The turmoil in BQ and Reform ranks ought to be good news for the Conservatives and New Democrats. The Tories have drawn some encouragement from

an upbeat policy convention Taras, a political scientist et last summer, well-attended fund-raising eveots, and their victory in provincial elections last mooth in Prince Edward Island, the smallest of Canada's 10 prov-

stronghold, support has inces. Their biggest asset is Mr

unanimous that the political equivalent of a Force Five hurricane will be required to deprive the Liberals of a second five-year mandate. But predictions of winners

and losers among the opposition parties are made with less certainty. All four will eoter the oext campaign hoping for the best, bot fear-



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When informetion is everything.

Premier sets out to weather storm

Political Editor

Mr John Major, the prime minister, is braced for further attacks from his backbenchers this week over his "wait and see" approach to European economic and monetary union, but he believes he can weather the storm in spite of losing his majority in the House of

Mr Major has a detailed plan for staying in office until May, exploiting a range of obscure parliamentary devices, even if his stand against his Eurosceptic colleagues persuades more of them to resign the party whip. His majority in the Commons disappeared last week when backbench MP week when backbench MP toral register, which is due Sir John Gorst said be could in February. Allowing sevno longer co-operate with

pean Union's common fisheries policy next week, prefrom his backbench coleagues on Emu in a com-

Part of his confidence is based on the discovery of a device for the indefinite postponement of a by-election in Wirral South. Thie Conservative seat

was made vacant by the death on November 3 of Barry Porter. Under normal procedures, a by-election would be held in February, which Labour would be expected to win.

However, Mr Brian Mawhinney, the Conservative party chairman, bas uncovered a convention that by-elections need not take place around the time of the publication of e new eleceral weeks for appeal by electors, Conservative minis-Mr Major is set to lose an important vote on the Eurobe too close to the general election for it to be held.

further embarrassing attacks agers have also assured him that it is almost impossible for the government to lose its majority on Commons committees, vital to his ability to legislate.

Under parliamentary rules agreed almost two years ago, any Conservative resigning the whip counts as a government supporter unless they join another political party. Those most likely to quit are Eurosceptics and on the right. They will not find it

the Liberal Democrat or Labour parties. Mr Major may even threaten to expel unco-operative Conservative MPs, eccording to a minister. Under party rules, e Conservative MP may not stand for re-election as a Conservative

if he or she no longer holds

easy to take refuge in either

the whip. Sir John Gorst pitched his defection on Friday in such a way that in a technical sense he still bolds the whip. But party managers are warning him that if be were to under-



Teresa Gorman and fellow Eurosceptic Sir Teddy Taylor

whip withdrawn. Meanwhile, Mrs Teresa

mine their legislative pro- for another showdown with gramme he would have the the government when she secured a 10-minute rule bill calling for a referendum on a Gorman, an anti-European renegotiation of the UK's

Talks fail to close London-Dublin gap

By John Kampfner, **Chief Political Correspondent**

The British and Irish governments emerged from e four-hour summit in London yesterday as divided as before on the terms for an Irish Republican Army ceasefire, leaving Mr John Bruton, the Irisb prime minister, to issue a personal plea for an end to violence.

Although both leaders said they agreed on the basic rules that would allow Sinn Féin, the IRA's political wing, to participate in multi-party talks, they remained far apart on the main point of contention - the time lag needed between e ceasefire declaration and entry to talks. Mr Bruton said Sing Fein leaders.

fear from joining the political process. Their "strength of conviction" heard, in e way that recourse to terrorism had not. "For the sake of the people of

Ireland and of all on these islands I ceasefire so that all can negotiate their future together free of threat," Mr Bruton said. In the past, the prime ministers

would have papered over differences on detail. But Mr Major appeared to go out of his way to emphasise the disagreement on the timing ques-

With his parliamentary majority positive nor negative". having disappeared, Mr Major will

"people of ability", had nothing to be more wary of antagonising the Ulster Unionists – the largest pro-British party in Northern Ireland, would ensure their voices would be. whose nine MPs may determine the fate of his government - and his

own pro-Unionist backbenchers. Mr Major said republicans had to make their own judgments. He did call on them to give us an IRA not believe Sinn Féin could expect suddenly to return to the talks "after having effectively broken

their word during that process". Mr Bruton struck a more emollient tone, "I want Sinn Féin in the talks at the earliest moment," be

A senior Irisb official said the talks in London had been "neither Last month the UK clarified its

conditions for e ceasefire, making clear that it needed to be convinced "in words and deeds" that a declaration would be genuine and not tacti-

rorist bombings over Christmas. Irisb newspapere yesterdey

ing the holiday period.

This was interpreted by national-

NatWest originally told employees it would close in the afternoon, but changed In the Commons, Labour joined its mind when it became clear that rivals would be

government calls for an unequivocal easefire during a debate on the decommissioning bill, which establishes the mechanics for the transfer of arms by paramilitary

ists as a hardening of the UK posi-"We don't think Marks tion, increasing fears of further terand Spencer and Sainsbury's [the retailers] are going to

quoted security officials as saying the IRA had ruled out a truce dur-

"We recognise this is a matter of some concern but every other bank, indeed every other bigh street retailer, will be opening

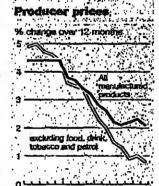
Rate rise less likely after fuel costs fall

By Robert Chote

Industry's fuel and raw materials costs recorded their biggest one-month fall in 11 years in November, handing the chancellor of the exchequer ammunition with which to resist a rise in interest rates at his meeting tomorrow with the governor of the Bank of England. The British Retail Consor-

tium meanwhile poured cold water on predictions of a Christmas consumer boom Its latest survey showed the value of high street spending rising at its lowest rate for seven months in the year to "Whilst the outlook for

Christmas remains reason-



able...we are not in boomtime conditions," said Mr Andrew Higginson, chair-

Aug 1995 : 1996

spending rose 4.9 per cent in to October.

interest rate increase City economists expected.

receded e little on the finanExcluding the food, drini cial futures market, but dealers still expect rates to rise City economists believe Mr

Kenneth Clarke, the chancellor, is unlikely to accede to any request for higher rates tomorrow from Mr Eddie George, the governor of the Bank. But Mr Clarke caught them by surprise when he raised rates last in October. After adjusting for the rise man of the consortium's eco- in electricity costs which is

nomic affairs committee. normal for the time of year, The cash value of high street manufacturers' input prices fell by 3.2 per cent in Novemthe year to November, down ber, according to the Office from 5.9 per cent in the year for National Statistics. This was the biggest fall since Expectations of an early April 1985 and bigger than

> Excluding the food, drink, tobecco and petrol industries, manufacturers raised the prices they charge their customers by 0.8 per cent in the year to November. This was the smallest annual increase in nearly 30 years. The cost of imported raw

materials was reduced by the pound's 4.3 per cent rise between October and November. This contributed to falls in sterling prices for e wide range of commodities

cent for oil, 3.1 per cent for imported food and 3.5 per cent for metals. Input prices as a whole are

they were 12 months ago. the biggest fall since Decem- units have confirmed that a ber 1986. Excluding the volatile food, drink and tobacco sectors, the annual decline "The rise in sterling has

come through dramatically and rapidly, suggesting that prices remain under intense pressure," said Mr Simon Briscoe, economist at Nikko Europe.

Manufacturers left output prices unchanged in November, giving a 2.1 per cent increase over the year.

Final dash for sports

academy bid runners

may seek a

combination

Academy is a pet project of Mr John Major, the prime minister, and he wants to see the ambitious plan for

the rejuvenation of British

sport unveiled before the

general election, which

of different

schemes

The government is Government

expected to announce this week a shortlist

of candidates to run the new

with the belp of £100m

(\$164m) from National Lot-

Although the Department of National Heritage, which

is making the decision, has

the bidding process, it is likely to cut down the 26

bidders to about half a

ozen. It will also announce

appointment of independent

consultants for technical

evaluation of the shortlisted

bids, which is expected to

mained tight-lipped about

National Academy of Sport

UK NEWS DIGEST

asked to

strike for

By Andrew Bolger and George Graham

be closing early.

in the afternoon

ations over terms.

Christmas

More than 35,000 bank

workers are being asked to

support a half-day strike on

Christmas Eve after being

told their branches will not

The four main clearing

Midland and Barclays

have reached agreement with unions and staff associ-

But Bifu, the main bank-

ing union, has taken excep-

tion to decisions by NatWest

and Lloyds TSB to remain open until 3.30pm and

4.30pm respectively.
"Bank staff deserve a

Christmas break like other workers," said Mr Ed Swee-

ney, general secretary of Bifu.

"They want time to join

their families and enjoy

Christmas. Many banks plan to close at lunchtime and

there's no evidence of any

customer demand to pop

into a bank on Christmas

Lloyds TSB strongly

"The last time Christmas Eve was a working day was in 1993. Unless you've been

in a vecuum-sealed peck

since then you can't bave failed to notice that times

have changed and that there

are new competitors," said

close on Christmas Eve."

their doors for business,"

said Mr Martin Gray, chief

leave to staff working after

1pm on Christmas Eve and

wherever possible will use

organisation we must

realities facing us, and many

substantial number of cus-

tomers will be looking for a

Barclays has given managers discretion to close early

full banking service on

if they see no sign of local

The strike ballot results

are due next week. In a sepa-

rate dispute, more than

16,000 Bifu members in Scot-

tish banks are being balloted

over their traditional Janu-

Mr Gray said: "As an

volunteers.

demand

ary 2 holiday.

now 5.5 per cent lower than remember the commercial

execotive of NatWest UK. It is offering an extra day's

Ms Geraldine Davies for the

Eve afternoon.

defended its decision.

banks all intend to stay open

Labour threat on water profits

The opposition Labour party yesterday confirmed it may force privatised water companies to share future "excess profits with consumers, in additional to its plans to impose a windfall tax on past profits. Mr Frank Dohson, environment spokesman, said Labour was considering a new pricing rule under which consumers would get a rebate if water companies made profits above what was considered normal.

"Labour is not prepared to see soaring profits being made on the back of falling investment and inflated bills for customers," he said. The new pricing rule was proposed earlier this year by Mrs Margaret Beckett, trade spokesman, in relation to other ntilities, including British Telecommunications, British Gas and the electricity com-

Meanwhile, the water services regulator Ofwat yesterday attacked the government for not bringing forward early legislation requiring companies to pay compensation to customers forced to use standpipes in a drought. non to customers forced to use standpipes in a grought.

Reflecting concern that the legislation will not get through parliament before a general election, Mr Ian Byatt, the director-general of Ofwat, welcomed moves by individual companies to promise such compensation in advance of a new law.

■ TELECOMMUNICATIONS

Increased flexibility for BT

Mr Don Cruickshank, director general of the Office of Telecommunications, is proposing to give British Tele-communications greater flexibility to set its own wholesale prices, removing about 60 per cent of its interconnec tion revenues from regulatory control. Oftel's proposals were published yesterday as part of an extended consultation process which will lead to the introduction of new charging arrangements from August 1997.

interconnection charges are those which operators pay BT – the only UK operator with a comprehensive national network – to collect or deliver their calls. The payments can amount to a significant proportion of an operator's revenues. BT said yesterday the Oftel document contained no surprises but it was studying the details before commenting in depth. Mr Chris Weston, strategy director for Mercury Communications, BT's principal UK rival, welcomed the document as "an important step on the road to driving down interconnection costs". Alan Cane

SCOTLAND

U-turn over development funding Scottish Enterprise, the development body for Scotland is

to have most of a £37m (\$60m) cut in this year's budget reinstated next financial year by Mr Michael Forsyth, the Scottish secretary. The reduction in the budget of the body, which funds the local enterprise network and Locate in Scotland, the inward investment agency, attracted strong criticism when Mr Forsyth made it last

Announcing the Scottish Office's spending plans for 1997-98 yesterday, he said Scottish Enterprise's budget would be £464m, up £20m or 4 per cent on the current year. It would also receive an extra £10m to accommodate large inward investment projects from Taiwan and South Korea. Highlands and Islands Enterprise, which operates in the north of Scotland, will have its budget increased by 2 per cent in real terms. Last year it was cut.

 Manufactured exports from Scotland increased faster than those of the UK as a whole in 1995. They reached £17.32bn (\$28.37bn), a rise of 20.3 per cent compared with the UK's rise of 15.5 per cent. At constant prices Scottish exports grew by 12.9 per cent compared with the UK's 8.3

ROYAL FAMILY

Bill to tackle 'sexist' succession

Lord Archer of Weston-super-Mare - the author Mr Jeffrey Archer - takes the first steps today to introduce his bill to remove sex discrimination from the royal line of succession. His measure would ensure that if Prince William's first child was a daughter, she would become queen even if she had a younger brother. But it is sure to face resistance in the House of Lords, where many hereditary peers only hold their own seats because they are male. Lord Archer, a former MP in the ruling Conservative party, argued that the strength of his bill was that nothing would happen in practice for 50 or 60 years, until one of Prince William's children succeeded him.

■ TELEVISION

Channel 4 in deal with Warner

The Channel 4 television station has struck its biggest ever programme acquisition deal with Warner Brothers, a deal which means it will retain the rights to hit shows such as ER and Friends until 2001. Industry speculation last night said the total package, which includes features films and other comedy shows, could cost Channel 4 as much as \$100m although the channel declined to confirm a figure. Channel 4 insisted that the package would be paid for out of the channel's acquisition budget and money would not be diverted from British-made program-Raymond Snoddy

■ TRAINING

University for industry' unveiled

A model for e Labour government's much-promised "university for industry" catering for small business those returning to work and the young unemployed will be unveiled today by the Institute for Public Policy Research, a leftwing think-tank with close links to the opposition party.

According to the institute's blueprint, the institution would be "more than a web of wires". As a "national learning network", it would not only promote the exploitation of the latest information technologies, but also serve as "a marketmaker" bringing learners into contact with providers, learning materials, courses and support

■ HEALTH

Opposition plan 'backed by study'

A study which shows that relatively few family doctors have proved genuine innovators since the government's reforms to the state health service in 1991 provides support for the opposition Labour party's plans, a leading academic said yesterday. The study was funded by the Economic and Social Research Council. Cost-saving among the 900 doctors interviewed has been widespread. But among "fundholders", doctors with their own budgets with which they buy hospital care, only 38 per cent could be classed as entrepreneurs – those who had introduced a wide range of new patient services.

Professor Peter Taylor-Goodby, director of the ESRC's beliefs and behaviour programme, said: "What Labour is proposing is to put [doctors] into much larger groups . . . That could produce a situation where those who are seriously interested in using the opportunities open to them do so, and then pass on the gains they have made to other

 Although more than half the population feel they should contribute to the cost of care in their old age, just 6 per cent say they are prepared to take out long term care insurance, a study has found. Nicholas Timmins

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has approved the following changes of name in its subsidiary

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take about two months. It is possible that rather than select a single bidder. the government will seek a combination of the best elements of different bids. The final selection of a winner will be made by Mr Iain

Sproat, the sports minister, and the recently formed UK Sports Council. After rejecting the initial idea of a single institution

covering all sports housed on a new greenfield site, the government wants the academy and its training, coaching, medical, scientific analvsis and residential facilities to be the bub of a national network of satellite centres specialising in individual

winner or winners will come

probably in late January.

After several years of pre-

varication by the govern-

ment, the final decision is

covered an area that included several key marginal seats held by MPs from the ruling Conservative party. In the absence of feedback department it is not clear The announcement of the

which groups are favoured to make the shortlist. However, a consensus appears to be emerging that the following bidding groups stand a good chance being taken in apparent of progressing into the final haste for one main reason: round:

• The British Olympic Association-backed bid to build a centre on the 58ha site of the former US Air Force base at Upper Heyford near Oxford, 80km north-west of London, with help from the private sector and Oxford University.

tre around existing facilities

in the eastern English Mid-

lands. This would include

Lilleshall school, run by the Football Association,

English soccer'e governing

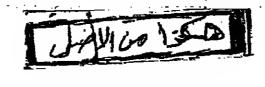
must be held by May at the · A bid centred on Birmingham, England's second-largest city, and the west Mid-Although some of the bidlands. This is led by Lord ders may be dismayed by the thought of the academy Howell, a former sports minister, and proposes using a greenfield site on the being used for political ends. others believe sport southern edge of the city as the main headquarters. should make the most of it. "There is a clear political agenda in favour of sport at • The so-called "athletes" the moment, and we should bid" to develop an Olympic enjoy it while it lasts," said village-type centre in

Hatfield, 30km north of a senior sports figure involved in one of the • The consortium based in the northern city of Man-The representative of another bidder pointed out chester which is already bidthat his group's proposal ding for the new national sports stadium wants to build on a 58ha site.

• Another bid wants to put the academy in the Bath, 160km west of London, and utilise the town's university from the national beritage and its famous rugby union

• There are also bids centred around the northern cities of Sheffield - to be based around facilities which were used for the world student games - and

Liverpool politics. The National Sports • The Central Consortium. Patrick Harverson





FINANCIAL TIMES TUESDAY DECEMBER 10 1996



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The shape of tins to come

unsung hero of the packaging world. In the 30 years since it was launched more than 2,000bn hava been made worldwide, and the latest manufacturing techniques can produce more than 2,000 a

For the customer, it means that fresh, cold drinks retain their fizz almost indefinitely in a pack whose design is as demanding as an aircraft's wing. But developments are under way which could change the appearance of the familiar canisters with their convenient pull tabs.

The technique of converting aluminium or tinplate sheet (steel coated with an ultra-thin layer of tin) into cans is very sophisticated. In the US - the world's biggest market, making 100bn a year - the side-wall is just four thousandths of an inch thick, yet the can must support a load of more than 200lb during filling and putting the top on

Tinplate cans - which form half of all those used for beer and soft drinks in Europe - have 30 per cent thinner walls yet are

even stronger. The drive for cost reductions from the leading drinks companies - Coca-Cola used almost 30 per cent of the 190bn cans made last year - has cut the weight of the average aluminium can by more than two-thirds from 18g to less than 11g.

It may not sound much, but it means the US industry, for instance, has saved more than 6m tons of aluminium in the past three decades.

For the consumer, the most significant recent change has been the switch to narrower ends, which were also expected to

bring big cost savings. Until recently low cost has been the can's Achilles heel. Battle lines have been drawn between canmakers and the main drinks companies as demands for lower prices squeezed margins. With price as the sole criterion for bargaining - it ranges

A virtual reality system that gives packaging designers and fillers a chance to see what their products will look like on the supermarket shelf - without having to produce expensive physical models – has been launched by UK-based VR Solutions, Andrew Baxter

The system was designed for British Steel Timplate, which was looking for a way to "build" three prototype sieel cans in a virtual environment. The designs can then be viewed and changed by customers on any Intel-based PC or workstation. Previous systems would have required

high-end workstations. Products can be displayed in a virtual warehouse or supermarket, helping the packaging chain deal with issues such as labelling, stackability, shelf impact and feasibility of a particular design without the packaging ever having physically existed.

are made - the can had become a commodity in the US.

But in March this year Coca-Cola surprised canmakers when George Gourlay, one of its top executives, announced that it duc wanted to "bury the idea that it ter. was a low-cost producer" and explore the use of shaped cans as a means of "adding value" to its

The move followed the roaring success in 1994 of Coke's 20oz PET plastic bottles shaped like the distinctive contour glass botties, first launched in 1916 and registered as a US trademark in

A prototype shaped steel can developed by Coke was test marketed in Germany and south-east Asia in 1994 and 1995. It was based on technology that has been used for making reformed or shaped food and beer cans for more than a decade. Gourlay, manager of Coke's

between \$60 and \$120 per 1,000 cans depending on where they

including high-pressure air, hydraulics, explosives and mechanical systems have been used to make shaped food cans in a number of markets. The difference with drinks cans is that they are much lighter and therefore more delicate, and the production processes are much fas-Companies such as Crown Cork & Seal of the US, the hig-

technical operations division.

told packaging industry execu-

tives at a conference: "We believe

that a contour aluminium can is

feasible from a technical perspec-

tive. We believe we could be in

tha marketplace with a

contoured can by the year's

The Coke executive explained

that new types of containers

were a means of adding value

to the product and differentiating

the company from the opposition.

ing as a marketing tool and as a

result we created sameness and

we became boring," he said. Since then there has been a

mixed response. Already stung

by Coke's demands for cost cut-

ting in previous years, the can-making industry was not keen to

invest up to \$1m in new equip-

ment for an untried idea, despite

assurances that Coke would mar-

ket the product effectively for

the technology of making shaped

cans. A variety of techniques,

There is nothing much new in

increased sales.

We forgot the idea of packag-

gest canmaking company in the world, France's Pechiney, the biggest maker of drinks cans worldwide, and Alcoa, the world's biggest aluminium supplier, have all come up with proposals for high-speed manufacturing of contour cans. They see it as a matter of survival, even though such cans might form only a small sector of the overall

But problems in the development of the contour technology have been greater than expected.



Bring back the bulge: the contours emulsts Coke's distinctive bottl

they had not expected. They got so far down the line with aluminhum cans and then found that the cans did not have the right axial strength and collapsed in tha filling and seaming pro-

It is likely that a steel contour can could provide a stronger answer. Sollac, the French steel company that is part of Usinor Sacilor, has shown Coke its prototypes of cans using special will not talk about them. These low-carbon steels are ductile for forming, yet harden during manufacturing so they can resist the rigours of filling and distrib-

in any case, the traditional drinks can is unlikely to be transformed overnight. Investment in manufacturing facilities in the more than 250 plants worldwide will as ever be directed toward high productivity and material cost reduction.

And there are other ways of The writer is editor of The Can-Robert Miles, Continental Can transforming the look of the maker, a monthly international UK's market manager, says: drinks can which will be much trade magazine.

"People have made progress with easier to deliver to the consumer this but they hit problems that than the contour can - and many regard that as being at least a year away.

Alcoa's packaging division, for example, is working on a technique for embossing the walls of the can with a pattern that is registered to the printad graphics. Test marketing is expected in the US early next

The easy-open lid, the most expensive and demanding compo-nent of the can to manufacture, steels designed for reforming, but is being further developed. The familiar stay-on tab has become an industry standard since 1978 when it began to oust the less ecologically friendly ring-pull, and has so far resisted all chal-

The latest developments of this are versions with larger pour openings being used by Coors, the US brewer, and a spouttype called the Touch Top from Ball, a US-based packaging com-

Virtual couture

Vanessa Houlder on cutting waste in fashion design

Tashion design is often a hit-or-miss affair. The vast majority of ideas are rejected before they reach the

Cutting down the waste in the design process is one of the aims of a "virtual reality fashion design studio", a project that forms part of the Virtuosi research programme, which is sponsored by the UK's Department of Trade and industry. It aims to lemonstrate how virtual reality can improve business

The £3m Virtuosi project is the work of BT, Division, BICC Group, GPT and the Universities of Nottingham Nottingham Trent, Lancaster and Manchester, with additional support from Nottinghamshire County

The goal of the virtual reality fashion design studio is to allow people in different locations to share a three-dimensional view of a garment and collaborate in its design. It uses a digital network to link two or three participants who use a headset or monitor, with a mouse, to move around within a virtual studio, contamine patterns.

fabrics and a mannequin. While discussing the design over a video link, the participants – typically a designer and a buyer - can experiment with changes to fabric, cut and length by clicking on a mouse. The garment is "worn" on screen by a mannequin, which can be made to move using voice commands such as "face me" or

raise your arm". One of the main limitations is that virtual design cannot convey the tactile quality of the cloth. However, its champions argue that it is an advance on paper representations because it can model the drape and movement.

Stephen Gray, a professor in the department of fashion and textiles at Nottingham Trent University, is convinced that

the virtual design studio could become commercially viable within a few years. He also believes the technology is applicable to other industries. such as architecture, retail and stage design.

In the case of fashion design, Gray believes there could be a strong commercial case for using virtual reality to facilitate more collaboration between suppliers and retailers. "If we can reduce the number of samples by half by involving buyers in the design proces there would be economic dividends," he says.

He acknowledges, however, that interest in the technology would depend on increased commitment to collaborative working between designer, manufacturer and retailer The technology will enable you to do things but a cultural change is necessary to capitalise on the technology."

In a related application of this technology, Nottingham Trent University is working on virtual reality catalogues for mail order companies. Customers would be able to dial into the catalogue and see different garments on a three-dimensional managuin representing their size and

An individual's measurements could be taken using another innovative technology: an electronic measuring booth, designed by Telmat of France. The Telmat booth, located at the International Clothing Centre just north of Nottingham, uses a digital camera to capture an individual's silhouette. Within seconds, it is translated by software designed at Nottingham Trent University into 50 or more dimensions that can be stored on a database or smart card. The booth also takes account of the impact of posture.

This measurement technique could cut the costs of bespoke tailoring to just 10 per cent more than mass-produced garments, say its researchers.

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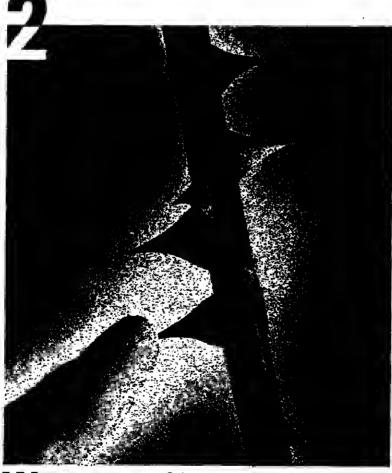
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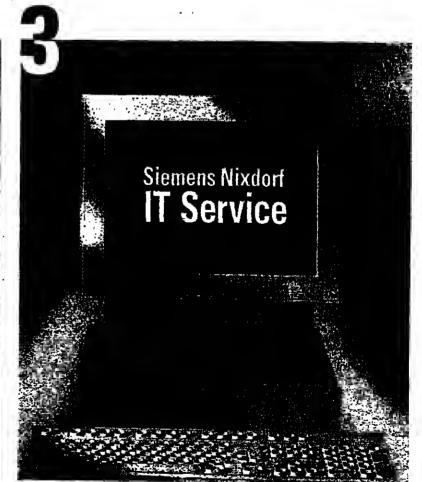
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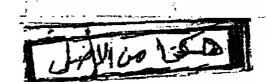
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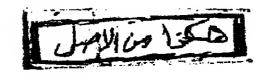


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together we accepted the Crisis Christmas Challenge

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In September the homelessness charity Crisis issued a their own cards. And some simply sent postcards. But to give all, or part, of your Christmas card budget card budgets to help homeless people. to help keep 4,000 homeless people safe and warm this Christmas?

SECURITIES AND FUTURES AUTHORITY

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challenge to the corporate sector. Are you brave enough they all found innovative ways of using their Christmas

Their donations will make an immediate difference to Crisis' work - both in London and nationwide -The firms and companies listed above all decided during Christmas and into the New Year. All these to accept the challenge and help bring homeless people in companies, their employees, clients and shareholders can from the cold. Some chose to use this page to send rest assured that this Christmas their generosity has seasonal greetings to their clients. Others chose to print brightened up the lives of thousands of homeless people.

If your company is not listed above, it's not too late to help homeless people this Christmas. Call Liz Markus on 0171 377 0489

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No bar to drug imports



Union member state into another when the products have been lawfully placed on national markets, contrary the market of the first memher state by or with the consent of the patent holder, the European Court of Justice ruled last week.

The court said patentholders could not block such imports even when the products did not benefit from patent protection in the first

Merck and Beecham had hrought a patent infringement action in the English Patents Court against certain parallel importers which had imported various products, for which the pharmaceutical companies held patents, from Spain and Portugal into the UK.

In referring the case to Luxembourg, the English court explained that prices in Spain and Portugal for pharmaceutical products were lower than elsewhere in the EU and when the products were sold by the patent-holders to wholesalers in those countries they were exported rather than sold in the domestic market.

The crucial point raised by the case was whether the Treaty of Rome provisions on the free movement of goods precluded national rules that granted patentholders of pharmaceutical products the right to oppose importation by a third party of those products from another member state in circumstances where the bolder had put the product on the market in that member state, after its accession to the EU, but hefore the product could be protected by patent there.

Although the issue had been decided 15 years earlier by the European court in Merck v Stephar, the companies argued that the court should depart from its ear-

that a patent-holder could

Patent-holders not invoke a patent beld in cannot block one member state in order to prevent the importation of a product freely marketed by it in another member state, even where that state did not provide patent protection under its national law It said such action would cause partitioning of

> to the aims of the EU. The court dismissed the various reasons put forward by the pharmacentical companies for overruling its earlier judgment in Stephar. The court said that if the patent-holder, assignee or licensee were able to prohibit the importation of products marketed in another member state by or with its consent, such action would partition national

markets and restrict trade. The court further ruled that Stepher was not incompatible with later case law of the court. This case law could be distinguished on the grounds that it related to the granting of compulsory licences. In such circumstances, it could not be said that the patentee had consented freely to the licensing operations and therefore it was entitled to oppose importation of products made by the bolder of the

compulsory licence. It followed that where a patentee was hound under national or European law to market its products in a given member state, it could not be deemed, for the purpose of the Stephar ruling, to have given its consent to the marketing of the product.

It was for the natentee to prove before the national courts that there was a legal obligation to market the product in the exporting member state. Ethical considerations, such as the need to satisfy the requirements of domestic patients, were not sufficient to justify protective action by patentees.

C-267/95 ond C-268/95: Merck & Co Inc and Others v Primecrown and Others: Beecham Group plc v Europharm of Worthing Ltd, ECJ FC,

In Stephor, the court ruled BRICK COURT CHAMBERS. BRUSSELS | marketing for PRIMARK

Merrill's new operating officer

Herb Allison has been appointed the new chief operating officer of Marrill Lynch, the US investment bank and brokerage, with effect from April 15 1997.

It is a move that has been widely anticipated, as the company fills the gaps left by the planned retirement of Dan Tully next year. David Komansky, the current chief operating officer, is due to take over from Tully as chief executive officer and chairman; this change was itself announced last month.

Allison, a 25-year veteran of the firm, has spent his career in the investment banking side of the business, rather than the firm's traditional brokerage business. The fact that Komansky has also come from investment banking underlines the company's shift away from its brokerage roots. Allison, 53, has been head of Mer-

rill's corporate and institutional client group, which includes investment banking, deht and equity markets worldwide, since

He beaded the investment bank-

served as chief financial officer Arthur Andersen, data processing from 1990 to 1993.

appointment of John Steffens as vice chairman of the board. Stehen Hammerman continues as vice chairman of the board, a position he has held since 1992. Tracy Corrigan, New York

HK exchange chief

Alec Tsui, who as chief executive will guide the Hong Kong Stock Exchange When the territory reverts to Chinese sovereignity next year, is broadly seen as the safe option.

steady operator, one who has already served in both the exchange itself and the Securities and Futures Commission, the industry regulator. His appointment, which takes

effect from February, ends an exhaustive search both outside and within the exchange. Tsui's credentials marry regulatory experience with time spent in the private sec-tor, and he is seen as both straightforward and clear thinking.

Most of Tsui's career has been spent in the back office, including ing group from 1993 to 1995 and management consultancy with the top management of Microsoft

CORPORATION. He was

International, Primark's US

financial information and

previously managing director of Datastream

technology company

with Swire Bottlers, and systems Merrill also announced the roles at both China Light and Power, the territory's dominant electricity supplier, and the SFC

INTERNATIONAL PEOPLE

But Tsui, 47, has enjoyed anything but a plodding career. He was promoted to his present posttion as deputy chief executive less than a year ago, after just two years with the exchange as executive director of finance and operation services. He previously spent four years at the SFC, after eight years' rising up the ranks at China Light and Power.

The chances are that in his new rola Tsui will be obliged to step out He has a reputation for being a of the shadows. He takes responsibility for what is Asia's second biggest stock market (after Japan) through a momentous time, when China is resuming sovereignty of Hong Kong - which could put a political slant on his position Moreover, the exchange itself is

at a turning point, with some practitioners calling for demutualisa-

Louise Lucas, Hong Kong

Gates promotes two Bill Gates continued to reshuffle

last week, when the chairman of the world's largest software company replaced a six-member "office of the president" with a new eightman "executive committee".

The additions are Jim Allchin and Brad Silverberg, each of whom was given expanded responsibilities for Microsoft's product development groups in an earlier reorganisation, in late October. They now join the software company's top decision making body. Silverberg is in charge of Microsoft's topselling suite of office applications programs. Allchin's responsibilities include the Windows PC operating system.

While financial analysts welcomed news of the latest management changes, some observers see recent moves as a bid to shore up Microsoft's defences against mounting competition, particularly in the office applications sector. Louise Kehoe, San Francisco

Daiei appointment

Tadasu Toba, former president and current vice-chairman of Alinom-oto, a leading maker of processed food and seasonings, has joined Daiei, Japan's largest retail chain

cial brief to strengthen its foreign perations.

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SWOTTIE Toba's appointment is seen partly as a reflection of inlensity. ing competition in the medium. range chain store market, and partly as a response by Daiei to internal management problems and falling earnings outlook. Toba is also regarded as a condidate in the company's forthcoming change in top management.

He established his reputation as one of the food industry's most experienced executives through his long career with Ajinomoto, where he began in 1955 and took over the presidency in 1989.

In 1994, as president of Ajinom oto, Toba negotiated a broad agreement with Daiei to co-operate in various fields, including development and distribution of low-cost food items and other products. The agreement expanded a supermarket price war launched by Dalei in the early 1990s with the introduction of generic products.

Toba is likely to focus initially on Daier's overseas network of factories and subsidiaries. He is expected to be appointed a director of Dalei at the company's sharehold ers' meeting in late May. Guen Robinson, Tokyo

operator, as an adviser with a spe-

ARMCO, the US steel group.

successor has not yet been

food company, has appointed

and chief operating officer.

Toshiaki Ikoma has been appointed a president of

JAPAN, succeeding Sachio

previously a president of TI

research and development

ministry has replaced the board of the debt-ridden

finances. Valeri Doganov,

the airline's executive

BALKAN AIRLINES in a bid

to stabilise the state carrier's

director in 1994, will manage

Earl Joudrie, chairman of

AT&T Canada Long Distance

Services, has resigned along

director. Successors have not

with Charles Winograd, a

company.

TEXAS INSTRUMENTS

Nagae. Ikoma was

centre in Tsukuba.

■ Bulgaria's finance

Philip Marineau as president

■ DEAN FOODS, the US

from December 31. A

commerce minister ■ NEC CORPORATION of Japan has announced the death of its chairman emeritus. Koji Kobayashi. He joined NEC in 1929, was appointed president in 1964, then chairman in 1976. He stepped down in 1988. remaining as enjeritus

chairman. ■ Two new managing directors bave been named at NEDSHIP BANK, to work alongside current managing director Ben Rosenmiller, as the bank's new senior management team. Reinier Mesritz is leaving to head US investment banking activities at Rabolank Nedship's parent.

■ Claire Drevfus-Goarec succeeds Albert Allanic as director of financia operations at SNCF the French national railway, She she was at Air france before becoming managing lirector of Servair in 1993.

appointments

on new appointments and retirements b -44 171 873 3926, maked Set fax to 'fine'

ON THE MOVE

John Ewing, 56, succeeds Leonard Chuderwicz as president of USS POSCO. California's largest steel producer, which is a partnership between USX Corporation and Pohang Iron & Steel of Korea. Chuderwicz, 48, moves to Ohio as president of USS/ KOBE Steel, a US/Japane joint venture, where Ralph Fifield is retiring. David Holmes has resigned from the board of HERCULES, the US speciality chemicals producer, which he joined this September, pleading increasing demands on his time from his role as chairman, president and chief executive of Revnolds and Reynolds. ■ Mary Lou Kromer, 43, rises to vice-president of communications and

GRACE, the US-based

packaging and speciality

chemicals group, Kromer,

previously vice-president of

communications, takes on

the investor relations role

previously filled by Peter

Martin, 59, who is retiring

■ Ira Herenstein becomes

senior vice-president -

■ BRISTOL-MYERS SQUIBB, the US pharmaceutical group, is reorganising executive responsibilities on the retirement next June of executive vice-president Michael Autera. Kenneth Weg will be president of a new worldwide medicines president of a new group, announced in September. investor relations for W.R.

group, Peter Dolan becomes nutritional and medical devices group. And Stepher Sadove becomes president of the worldwide beauty care ■ Rosanna Wong Yick-Ming. chairman of the Hong Kong Housing Authority and executive director of the Hong Kong Federation of Youth Groups, has been appointed a non-executive director of HONGKONG AND SHANGHAI BANKING CORPORATION. ■ Pirkko Alitalo, Matti Jarventie and Tauno Matomaki join the board of Finnish media group AAMULEHTI on January L Olli Parola is retiring from the board.

■ Pierre Tersinet, 49, joins

the industrial relations division of French Insurance Group AGF as general

■ Daniel Stone has been appointed managing director of ABN AMRO HOARE GOVETT CANADA and will be responsible for fixed income trading. He previously worked for Burns Fry for 15 years. James Blanchard, the former US Ambassador to Canada and Governor of

Michigan, joins the board of BRASCAN, the Canadian holding company. ■ Manuel Garcia Garcia has been appointed general manager of TELEFONICA DEL PERU. He takes over from Rafael Hernandez Garcia, who remains president of the board. Garcia, previously corporate general manager, worked for

Telefonica de Espana and **Banco Santander before** joining the Peruvian Telecoms group, which is majority-owned by Telefonica de Espana after its \$2bn privatisation in 1994. ■ Erwin Zimmermann joins the executive board of Swiss re-insurer SWISS RE, as deputy head of the alternative risk transfer division led by Walter Kielholz. Zimmermann, who

joins the board on January

1, has been head of run-off and risk services at Swiss Re smce August 1995 ■ Jan de Kreij, group

controller of Shell, joins the executive committee of ROBECO, the Dutch fund management group, on May 1. He will become a director (and vice-chairman) of Rodamco on July 1, and vice chairman of the Robeco executive committee. He succeeds J. Kremers, who is retiring.

M.R.R. Nair has resigned

as chairman of the STEEL AUTHORITY OF INDIA. Shri Prasad, financial adviser to the ministry of steel and mines, takes over as acting chairman. P.N. Singh has retired as director of personnel. ■ William Ruehle will resign

as chief financial officer of BAY NETWORKS as soon as a successor is appointed. David Burner, president of BF GOODRICH, the US chemicals group, takes the additional title of chief executive, succeeding John Ong, who will continue as chairman until his retirement on July 1. Ong will also resign as a director

59, president of GENERAL FINANCE & SECURITIES, one of Thailand's leading brokerage concerns, has when he retires. The board been appointed the new size currently stands at 15. chairman of the company. ■ David Harmer is stepping He succeeds Narongchai down as vice-president and Akrasanee, who has joined chief financial officer of the government as

yet been named by the International ■ Suchartchandra Pravitra,

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the High Court of Justice, Chancery Division
dued the 20th November 1996 construcing the
reduction of capital of the above vanical
Company was registered by the Registers of
Costpanion on the 25th day of November 1996.
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LEGAL NOTICES

IN THE MATTER OF FULL CIRCLE INDUSTRIES PLC

IN THE MATTER OF THE COMPANIES ACT 1965

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancer) Division) dated 4 December 1996 confirming the reduction of the share prenatura account from £3,963,000 to nil of the above-named company was regimered by the Register of Companies on 3th December 1996.

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IN PARLIAMENT **SESSION 1996-97**

NOTICE IS HEREBY CIVEN that application is being made to Parliament by Lloyds Bank Pic, TSB Bank pic and HSB Samuel Bank Limited for leave to introduce in the present. Session a Bill under the above name or short title for purposes of which the following is a concise summary:

16 Hope Street, Charlotte Square, Edinburgh EH2 400.

To provide for the transfer to and vesting in Lloyds Bank Pic of the undertakings of TSB Bank pic and Hill Samuel Bank Limited. On and after 4th December 1996 a copy of the Bill may be inspected and copies obtained at the price of £1 each at the offices of: Messes W. & J. Burness, W.S.

Lloyds Bank Pic, P.O. Box 112, Canons House, Canons Way, Bristol, BS99 7LB.

Mesurs Linkhaters & Paines,

Barrington House, 59-67 Gresham Street, London BCZV 7JA.

Objection to the Bill may be made by depositing a Petition against it. If the Bill originates in the House of Commons, the latest date for depositing such a Petition in the Private Bill Office of that House will be 30th January 1997; if it originates in the House of Lords, the latest date for depositing such a Petition in the office of the Clerk of the Parliaments in that House will be 6th February 1997. Further information may be obtained from the Private Bill Office of the House of Commons, the office of the Clerk of the Parliaments, House of Lords and the offices of the under-mentioned Parliamentary Agents. Dated 3rd December 1996

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> José Luiz Valentini Chairman of the Special Bidding Committee





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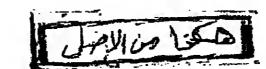
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Picasso and his women

shown at the Museum of Modern Art in New York last aummer, is now in Paris, opening out yet another aspect of that extraordinary life's work. While Picasso lived, his very celebrity inhibited the closest inquiry into his life; but since his death in 1973 at the age of 92, every serious biography has taken us closer to the man to reveal a complex and not always pretty picture.

There is a sense in which all true art is autobiography, for the artist has only his own experience by which to try to come to terms with reality. The trick is to make tha work available for us to make sense of for ourselves. It is a question of emphasis, distance. Too close, and the personal content becomes a limitation and a bore: too remote, and it is but an academic exercise.

With Picasso's portraits, we could not have the problem set ont and resolved in plainer terms. The show opens and closes with self-portraits: there is no more direct a way for the artist to place himself at the centre of his work. The youthful Picasso playfully sets a peruque upon his head in an image fresh and confident in its academicism. The old man, gaunt and terrible at 91, bleakly confronts mortality. In between there are his friends and, repeatedly, himself, and above all, there are his women.

This show is set quite deliberately upon the framework of Picasso's successive relationships with women, his models, mistresses and muses whom he used, tired of and discarded as be moved on to the next, Some, like Fernande Olivier before the great war, or Marie-Thérèse Walter and then Dora Maar in the 1920s, '30s and '40s, he would all but destroy. Of Dora, who was the subject both of some of the most hauntingly beautiful and most frightfully distorted portraits in all the canon, be said he could never see her without feeling her to be on the verge of tears. Her photographs evince an exquisite and natural melancholy: but we

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PURLIC NOTICES

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The pattern repeats itself. The

he full and absorbing portraits early in a relationship study of Picasso as a are closely and tenderly observed portrait painter, with the easy discipline and finesse that underwrote all Picasso's work. Then by degrees the images grow more disturbed, violent, grotesque. Even an element of fear creeps in, that seems to be an actual horror of the essential female. The teeth of a Dora or Marie-Thérèse now gape and rattle like a man-trap in the skull. We cannot doubt that Francis Bacon knew these images.

Friends' wives and women do rather better, though whether by posing no threat or no opportunity, who can say - Sara Murphy in the 1920s; Nusch Eluard in the 1930s and '40s. With them, at least, the tender interest remains. Some of his own women, like Françoise Gilot in the 1940s stand up to him, to escape more or less unscathed. The last wife, Jacqueline Roque, who succeeded Françoise in the early 1950s, evidently managed him firmly enough through his last 20 years.

ambiguous reversal

becomes apparent in this later work. It is the artist who grows diatorted and grotesque, monkey-like and impotent voyeur; the model remains perfect in her beauty. And we realise perhaps that it was ever so, even in the artist as a younger man. That strange etching, "Minotauromachie" of the mid-1930s, on show with early prints at the Musée Picasso, has Marie-Thérèse as a torero lving exposed and dead, torn by the Minotaur-Picasso whom she has so tormented, while a younger Marie-Thérèse holds high a candle to lead the suffering beast out of the maze. In other images, a Minotaur caresses a sleeping woman: lifts the sheet from ber bed: kisses again that girl-torem. Just so, an early water-colour (1904) has Picasso contemplating the sleeping Fernande.

But though the artist sets himself at the centre of the work, it is not yet self-obsessed. With all his modernism, we tend to forget how deeply rooted Picasso was in symbolism, and here his use of myth and symbol, universally acknowledged and understood in all their ambiguities, effectively



Dora Maar, 1936, by Picasso: subject of both the most hauntingly beautiful and frightfully distorted portraits

more general relevance and and the recurring cycle of his tainty, now with such explor- thing he ever did. acceptance. We recognise Picasso address, we find a complemen- atory delicacy and intuition. in it, but we make sense of it not tary return to fundamental discifor him but for ourselves.

And we are thrown back onto the painting as painting. There is no comfort here for those who, even now, hold Picasso to be an incompetent technician and cyni-

plines and practice. We follow their exploitation, development and expressive variation, and so back again. We look at that line in the drawing, so taut, nervous,

Picasso's sister Lola, high-coiffed, young and handsome, stares boldly back at us across the century. Here is his dancer-wife, Olga Khokhlova, in 1923, as monumental as a rock. Nusch Eluard exactly descriptive. We look at in 1941, half-length and naked, is cal opportunist. For, in the con- the paint on the surface, laid on as delicate and fragile a realisa-

William Packer

Picasso and the Portrait Galeries nationales dn Grand Palais, Paris until January 20; sponsored by LVMH and Gnerlain. Picasso - Gravures 1900-1942; Musée Picasso until January 20.

Theatre/Paul Driver

A tairytale for adults

lessed are theatres like expressionism of A Dream Play. drowned prince back to life and cosy premises you can regularly discover rarities of world drama while drinkers carouse in the pub below and the inane juke-box does its best to wreck the whole enterprise.

At the moment August Strindherg's Swanwhite is actually receiving its British premiere (directed by Timothy Walker) here, a rather astonishing thought that puts one close to the audiences who found tha dramatist's work so controversial when it was new, even if this particular play gave him one of his best success

He can still shock. The very genre of the piece, a "fairytale for adults", is disconcerting, in the manner of the Dennis Potter play where adults romp in children's toes. Written in 1901 during Strindberg's madly prolific period, it comes after the marriage-scrutiny of The Dance of Death and before the Buddhist

Hill, in whose small as though a fairytale source-book upper-world to the latter than to the worldly remorselessness of the former, there is none the less a keen portraval at the play's heart of the petty disillusionment that easily sets in when an ideal-

> he partners are the Duke'a daughter Swanwhite and a prince who is supposed to be escorting her into an arranged maralbeit keeping a sword between them - once love has revealed to her his secret name. Obvious parallels with Wagner's Tristan and Lohengrin here, and a post-Wagnerian composer Sibelius provided notable incidental music for a 1912 production. Her love it is that brings the

The Gate at Notting Closer in its fantasticalities (it is impels Swanwhite to forgive a aingularly sadistic stepmother, were constantly being rifled) and unable to pronounce that its invocations of the dreamy four-letter word until the end. But by this time our credulity has been pushed too far. For all the drama's latent subtleties and translator Gregory Motton's elegant handling of the high-toned diction, there was an ultimate ised relationship turns into a flatness to the fantasy that argued the need for something

like that Sibelius music. Richenda Carey's Stepmother more convincing earlier when cruel - and Frank Moorey's Duke might, though, have been a bit less ponderous in this final scene. riage with his young king, hut Jasoo Morrell is perhaps appro-goes to bed with her himself - priately fey-voiced as the Prince. But Jules Melvin in the title role. her feet and shift blackened by the soil-carpet of Gemma Fripp's earthen playroom of a set, gives a performance of strength and hubbly charm.

> At The Gate Theatre, London W11, until December 21.

> > Patsy Nasher collection of Dallas,

Texas, the presentation ranges

A fine Siegmund from Domingo

be Royal Opera will have done very nicely out of its one-off Die Walküre last Friday: every stalls seat sold at £250. front-of-grand-tier at £275 - and great economies achleved on rehearsal-time too, as one heard. As one also hears, 200 Britons become nouveaux millionaires every week now; so that's all right, then.

The opportunity was provided by Plácido Domingo's 25th anniversary as a regular visitor to Covent Garden, but never until last week in a Wagnerian role. (Elsewhere be bas performed Lohengrin, Parsifal and Siegmund, and recorded Tannhänser .) It was convenient to bring back Die Wolkure, last seen only weeks ago, surround Domingo with singers already inured to the Richard Jones production, and let the great tenor get on with it.

The fine original conductor Bernard Haitink, however, was not part of the package, it was left to Simone Young to do what she could in the circumstances. There were grave failures of rapport between her and the singers, and much orchestral disarray as far as the prelude to Act 2; but thereafter things improved rapidly. Miss Young does know how the score goes (though her slow paragraphs always tacked tension). With first-class volces giving of their best, and the staging much tidied and sharpened since first time round, many millionaires would have thought £275 per bead well

Domingo siotted himself into Jones's quirky staging with dignity, and from his opening phrase - elegant, musical, suffused with feeling and levered npon what seemed a single hreath - we knew we were bearing a foreign Siegmund of great distinction. His German address was not idiomatic: endings in "-en" were oddly bright ("ras-ten", "bel-fen", umfangen). In rapid syllahles all those consonants! - his line faltered, and "ee"-vowels on apper notes sounded constricted. But why quibble, when Domingo had so much artistry to spare?

exactly felt and transmitted. He is good at looking romantically haggard, too, noble but bruised; in fact the only side of Siegwund we missed was his ecstatic release later in Act 1, where Domingo offered just sober eloquence. Still, he rose to a thrilling cry of "Wääääl-sungen Blnt!" at the end. And in the Act 2 "death-annunciation", where many a Siegmund turns into an ordinary baritone, the marvellous lower reaches of Domingo's tenor were simply, wrenchingly expressive, tapped with absolute finesse.

The sense of every line was

Brünnhilde, Wotan and Fricka were again superlatively done hy Deborah Polaski, John Tomlinson and Jane Henschel. In place of the indisposed Anne Evans, the American Karen Huffstodt made her debut as Sieglinde here. Too slow and lachrymose at the start. I thought: but she developed before our eyes and ears into a figure of wild, passionate extremes - always sung from the heart, and poignantly affecting.

David Murray



Jason Morrell and Jules Melvin in the British premiere of Strindberg's 'Swanwhite'

INTERNATIONAL

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LEIPZIG

CONCERT Gewandhaus zu Leipzig Tei: 49-341-12700 Neues Bachisches Collegium Musicum: with conductor Burkhard Glaetzner. herpsichordists Christine Schomshelm, Mechtild Winter. Michaela Barak and Ulrike Wappler, tenor Stephan Solewak, bass Siegfried Lorenz and the Gewandhauschor perform works by J.S. Bach and

Beethoven; 8pm; Dec 11

LONDON CONCERT

Royal Albert Hall Tel: 44-171-5898212 Royal Philharmonic Orchestra: with conductor Peter Ash, and narrators Joanna Lumley and Danny da Vito, perform works by Pelecis, Cherubini and Schumann; 7.30pm; Dec 13

EXHIBITION British Museum Tel: 44-171-6361555

 Old Master Drawings from the Malcolm Collection: masterpleces by Sandro Botticelli, Leonardo da Vinci, Michelangelo and Rembrandt are among the highlights of the collection of drawings formed by John Malcolm of Poltalloch (1805-1893). A choice of 200 drawings which reflect Malcolm's taste and reveal the extraordinary quality of his collection; to Jan 5

■ LOS ANGELES

EXHIBITION Los Angeles County Museum of Art Tet: 1-213-857-6000 Roy DeCarava: A Retrospective: this retrospective of approximately 180 black-and-white photographs surveys DeCarava's career from the late 1940s to the 1990s. Featured are the series on the moods of darkness and light, the streets and subways of New York, the civil right protests of the early 1960s, and a selection of his jazz photographs of such notable

figures as Billie Holiday, John Coltrane, and Milt Jackson, among others; to Jan 26

MADRID

CONCERT Fundación Juan March Tal: 34-1-4354240 Trio Gerhard: with violinist Victor Parra, cellist François Monciero and planist Alberto Nieto perform works by Gemini and Gerhard; 7.30pm; Dec 11

NEW YORK CONCERT

Alice Tully Hall Tel: 1-212-875-5050 Juilliard String Quartet: perform works by Bartók; 8pm; Dec 13 EXHIBITION

The Metropolitan Museum of

Avery, William Baziotes, Romare

Bearden, Stuart Davis, Arthur

Dove, Marsden Hartley, Jacob

Lawrence, John Marin, Georgia

O'Keeffe, Charles Sheeler and

about 1914 to 1952. The

exhibition celebrates the

Max Weber - range in date from

Lowenthal's pioneering efforts to

promote a wider appreciation of

1940s and 1950s; to Jan 12

contemporary American art in the

Art Tel: 1-212-879-5500

The Edith and Milton

Lowenthal Collection:

approximately 50 works from the collection of Edith and Mitton Coeur: to Jan 5 Lowenthal are reunited for this exhibition. The works - mostly paintings by such artists as Milton

EXHIBITION Honor Tel: 1-415-863-3330 Masterworks of Modern Sculpture from the Nasher Collection: this exhibition. organised with the Solomon R. Guggenhelm Museum in New York, consists of approximately 65 modern and contemporary sculptures from the Raymond and

OPERA Metropolitan Opera House Tel: 1-212-362-6000 A Midsummer Night's Dream:

by Britten. Conducted by David Atherton, performed by the Metropolitan Opera. Soloists include McNair, Gustafson, Bunnell, Kowalski and Streit; 8pm; Dec 11, 14

PARIS CONCERT

Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50 Kölner Kammerorch conductor Helmut Müller-Brühl, flutist Patrick Gallois and violinist Natascha Korsakova perform works by Vivaldi and Telemann; 8.30pm; Dec 12

EXHIBITION Musée d'Orsay Tel: 33-1 40 49

48 14 Charles le Coeur (1830-1906), architecte: exhibition focusing on the work of the French 19th-century architect Charles le

SAN FRANCISCO

California Plaza of the Legion of

from turn-of-the-century works by Auguste Rodin, Constantin Brancusi, Medardo Rosso, and others, to contemporary pieces by such artists as Anthony Caro, David Smith, Magdalena Abakanowicz, and Mark di Suvero. Sculptures by Pablo Picasso, Henri Matisse, Alberto Giacometti, Joan Miró and Raymond Duchamp-Villon are represented in great depth by this collection; to Jan 12

■ STUTTGART OPERA

Staatstheater Stuttgart Tel: 49-711-20320 From the House of the Dead: by Janácek. Conducted by Michael Gielen, performed by the Oper Stuttgart. Soloists include Danielle Strauss, Claudia Mahnke, Michael Ebbecke and Randolph

■ VIENNA

OPERA

Locke; 8pm; Dec 13

Wiener Staatsoper Tel: 43-1-514442960 I Puritani: by Bellini. Conducted by Benini, performed by the Wiener Staatsoper. Soloists include Ungureanu, Gruberova, Silins and Sabbatini; 7pm; Dec 13

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17.30 Financial Times Business Toniaht

CNBC:

08.30 Squawk Box

10.00 European Money Wheel

Financial Times Business Tonight



Martin Wolf

Trade is not to blame

Changes in technology, and not the competition of developing countries, are the main reason for growing wage inequality in industrialised nations

ness sector did not decline.

Capitalists did not grow fat

on the losses of the workers.

Instead, the cost of hving

rosa far faster than the

prices of business sector

output. This was because of

declines in the prices of

investment goods and rises

Prof Lawrence's concln-

sion is that trade has not

pauperised workers as a

group, even less whole

countries. The question

then is whether trade

explains the increase in

inequality between more

and less skilled workers

that has been such a charac-

teristic of the US (and UK).

This time the answer is

more nuanced, but it is still

Trade can be thought of as an alternative to physical

movement of capital and

labour. Under a number of

strong assumptions, it will

equalise the worldwida

returns on capital and labour. Sinca unskillad

labour is staggeringly abun-

dant in developing coun-

tries, tha effect would be to

drive down the wages of the

unskilled in rich countries,

while enriching the skilled

and owners of capital.

essentially no.

in the prices of housing.

"Global free trade has become a sacred principle of modern economic theory, a sort of moral dogma. That is who it is so difficult to persuade our politicians and economists to reassess its effects on o world economu which has changed radically." Sir James Goldsmith.

Not long ago Sir James Goldsmith, Anglo-French billionaire, had a bigger target than the the UK's place in the European Union in his sights. His enemy was global free trade. Free trade, argued Sir James in his book, The Trap (Macmillan, London, 1994), pitted the high-income countries against the competition of billions of impoverished workers.

Fortunately, such simplistic protectionism has made little political headway. But the pressure has not been without its effect. Already, the US and the EU have placed the link between labour standards and trade on the agenda of the World Trade Organisation.

Maybe this reflects a sudden concern for the welfare of the poor in China or India. And maybe the moon is made of Stilton cheese. More plausibly, this is a foolish way of diverting domestic protectionism. If so the approach cannot work. Either developing countries will reject the demand; or agreed standards will turn out to make no difference to underlying economic forces; or the standards will be used as an

excuse for protection. Behind the demand for labour standards is a more fundamental question. Must global liberalisation impoverish, if not everyone in rich countries, at least the relatively disadvantaged? This cannot be answered merely by gesticulating in the direction of the billions of people hammering at the gate. What is needed is meticulous analysis.

A number of distin-

tions to this topic. The latest - and in some ways the most impressive - is e new book* by Robert Lawrence. professor of international trade and investment at Harvard University's John F. Kennedy School of Gov-

ernment, among the world's foremost empirical analysts of internetional trade. So does trade with developing countries threaten havoc in high income ones? Not guilty is the author's reply. questions addresses can be divided into three:

 Has trade pauperised high income countries? Has trade created increases in inequality? What would happen in future if trade with countries like China and India were to grow at rapid rates? How, it is asked, can workers compete with peo-

ple earning a fiftieth of their wages? The answer is "quite easily". China's wages are so low because its average productivity is low. When its productivity catches up, so will its wages. The fear of pauper labour

derives from a wilful refusal to make the effort needed to understand the theory of

White collar

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made substantial contribu- This says that China will export the goods it can make relatively more cheaply than the rest of the world - those where the relevant technology and skills can be imported easily and where unskilled labour is used most intensively.

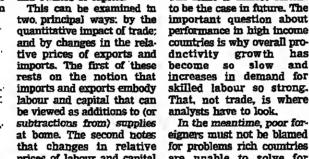
Even if the fear of general impoverishment can be dismissed, people may still worry about the trends. In the US, in particular, notes Prof Lawrence, between 1973 and 1994 real compensation (including employers' contributions for social insurance and private benefit plans) of workers (including the self-employed) rose only 8.6 per cent.

This dismal performance helps explain the gloom of many workers. But why did it bappen? A part of the answer is that output per bour rose only 24 per cent. This is pretty poor over two decades, but is explained by the low measured productive ity growth in services. The question, bowever, is whether trade explains any of the difference betwaan the growth rates of real ontpnt and of real compensation per worker.

The answer is no. The share of labour income in

Has trade caused inequality between workers?

Total compensation deflated by consumer price index, 1981=100



Prof Lawrence's conclusions are that the quantitative effacts of changes in trade "explain only about 10 per cent of the rising differential between high-school and college workers in the US". The terms of trade improvement needed to Development Centre, 1996)

should, in theory, follow

changes in tha prices of

traded goods and services.

guished economists have comparative advantage, the value added of the busi- lower the relative wages of unskilled workers also did

not occur. Ha estimates that the impact of trade on the relative demand for collegeeducated versus high-school educated workers in the US was only about a third of the impact of "de-industrialisation" - which covers shifts in demand and relatively rapid productivity growth in manufacturing. Trade also amounted to only about a fifth of the impact of changes in technology and organisation that increased the relative demand for skilled labour.

What about the future? Here Prof Lawrence makes the extreme assumption of complete specialisation by the US in relatively skillintensive areas of produc-tion. Compared with 1990, the relative demand for high-school educated workers would still fall only 7.5 per cent, other things equal, which would imply a 25 per cent decline in real wages

spread over many years. The impact of globalisation on labour markets in industrial countries has been far less significant than many observers argue. The same is almost certain to be the case in future. The important question about performance in high income countries is why overall prodnctivity growth has become so slow and increases in demand for skilled labour so strong. That, not trade, is where

analysts have to look. In the meantime, poor for eigners must not be blamed prices of labour and capital are unable to solve for themselves. Nothing may ba more natural. But nothing can be more dangerous. To permit the protectionist borse to pull the global political cart down that road would be a historic blunder.

> *Robert Z. Lawrence, Single World, Divided Notions? (Brookings Institution/OECD

Burma's junta may be facing sanctions but is likely to survive, writes Ted Bardacke

Rangoon wrangle

plece to check on the political priorities of Burma's mil-

itary junta. Earlier this year, the State Law and Order Restoration Council, as the junta calls itself, used Kyatkasan as the venue for its "National Convention", an assembly charged with drawing up a new constitution that would give the military "a leading role" in the country's affairs.

Growing political unrest has forced the indefinite suspension of the National Convention, which made Kyat-kasan - surrounded by high walls topped with barbed wire - available for a different purpose last week: hundreds of student protesters, rounded up after participating in the largest demonstrations to hit the country since a violent crackdown in 1988 were sent there to be identified and interrogated before being released.

In the euphoria surrounding the release of Nobel Peace Prize winner Ms Aung San Sun Kyi from house arrest 18 months ago, Slorc's vision of the National Convention paving the way for an orderly transition to some form of stable semicivilian rule seemed plausible. But the optimism bas

The domestic economy continues to grow but the country's external situation is delicate. Foreign currency reserves have fallen to their lowest level in a decade covering only a month of imports - and key export markets in the US and Europe are close to being restricted by sanctions over human rights abuses and political repression.

The economic problems mean Slorc may not he able to fulfil promises of development funds for 15 still restless - and armed - ethnic insurgent groups. Most have agreed ceasefires with Slorc, but five of the 15 have either begun fighting again or have threatened to. Things aren't unravelling

one diplomat in Rangoon. "They've been in power eight years and tonight the generals are sitting in their war room still preoccupled with crisis management."

One positive sign for Slore is that the Association of South East Asian Nations is set to admit Burma as a full member in July 1997, a goal long sought by the regime in an attempt to bolster its international legitimacy. But Asian diplomats say that even Asean membership could still fall through if the internal situation in Burma deteriorates substantially between now and the end of February, when a final decision on membership will be made. Thus the need to keep

and out of jail. Most of today's students have been careful to limit their demands to student issues, giving Slorc little excuse to crack down in the same way as it has on Ms Snn Kyi and her National League for Democracy. But as the protests have grown, political demands bave found their way into the stu-

the students off the streets -

dent agenda. Ms Sun Kyi has been watching events with a quiet confidence. Effectively confined to her home once again, she has denied any links with the students but she has stressed that the stu-'They've been in

power eight years and tonight the generals are sitting in

their war room still preoccupied with crisis management'

Kyatkasan Grounds. a on Slore, but they've squan-former horse-racing course in central Rangoon, is a good on Slore, but they've squan-dered their opportunity [for long-term stability]," says erance, grievances that ought to be resolved in talks and not with water cannons or wooden batons.

"The NLD has not advocated street protests," she said in a recent interview. "1 hope that the anthorities will see the NLD as a moderating force in the current situntion ... and will see the wisdom of dialogue.

Slore officials do not see it this way, preferring to lump the NLD, the students and western criticism into one hig anti-Burmese conspiracy. US threats of sanctions and European Union hints that It will remove preferential trade privileges seem to hava made Slorc more intransigent and less likely to heed calls for dialogue. Yet such moves by the

west would certainly hurt the Burmese economy, as it is European and US demand that keeps Burma's largest manufacturing Industry textiles - in business.

With foreign currency short, petrol and diesel imports are a particular difficulty. Japanese trading com-panies, which admit they are losing money in the country. have been unwilling to provide trade finance as they did in the past. This has forced the Burmese to turn to Unocal of the US and the Petroleum Authority of Thailand, their partners in an unfinished natural gas pipeline, for fuel and fertiliser imports in return for a pledge of some of the state's

share of future gas revenues, Burma's abundance of natural resources, however, together with the support given to the junta by Its Asian allies, means that the regime is likely to survive this latest political and financial crisis. "Natural gas, tourism, gems, rice, beans, fish and teak are not enough for sustainable development," says a local economist in Rangoon who asked not to be named. "But it is enough for Slore to

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Healthcare: From Utopia to Mixed Economy

At mid-century, the establishment of Britain's National Health Service (NHS) helped inaugurate an era of greater state involvement in healthcare. Now, according to the head of an association of independent healthcare providers. the NHS is again leading the way by making greater use of private expertise

and resources. Fifty years ago, the ideas underpinning the UK's National Health Service (NHS) beloed lead the developed world to a new era of centrally planned healthcare. The assumpting that government could and would provide all the resources necessary to cope with the demand for health and social care was at the heart of a political consensus which dominated public policy for more than forty years.

While the 1944 White Paper, A National Health Service, initially estimated that

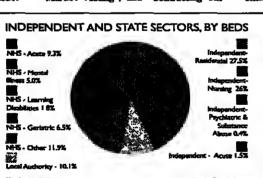
the state system would cost £132 million per year, the NHS actually ended up costing the tax payer a massive £305 million in its first year of full operation, 1949-50. Thus, the Government realised early on that it could not afford health services that were entirely free at the point of use. Although this was one of the founding principles of the NHS, it was actually abandoned within five years of the 1944 White Paper, as charges were gradually introduced for prescriptions, spectacles and dental treatment, and techniques ranging from cash control to queuing were used to limit

By the mid-1980s, it had become obvious that the old "top down" structures of NHS centralisation would no longer suffice. Under a new system introduced in the early 1990s, the NHS was divided between purchasers and providers, who were given a greater degree of freedom from the centre.

Although the changes were controversial, it now appears that Britain was, once again, in the forefront of a trend which has seen governments the world over embracing a more mixed economy approach in health and social care. The NHS reforms signalled an important departure from the post-war world of largely uncosted, bureaucratic and

from the forces of economic globalisation. adverse demographic trends and rising consumer expectations, political elites are busy exploring new ways in which private finance and expertise can be reintroduced into national healthcare systems. In the UK, policies such as the "Internal Market", the "Private Finance Initiative", "Privatisation", "Market Testing", and "Contracting out"

producer-led bealthcare. Uoder pressure



Total - 44.6% Beds Total - 55,4% Beds are all encouraging bridges between what

> some term a utopian and unsustainable past, and a depoliticised, sustainable future. The revolution that has taken place in UK health and social care in recent years means that there are now more beds in the country's independent health and social care sector (443,000) than the NHS and Local Authorities combined (356,000).

> The UK's independent health and social care sector is an important employer. It currently employs 500,000 people, the majority of whom are women. There are also 76,000 independent professionals working under contract to the NHS, including doctors io geoeral practice, dentists, pharmacists and opticians. Additionally, three quarters of all hospital consultants have some form of private

While some people still believe that the NHS had its heyday in the 1950s, '60s and '70s, and that during this period it was a largely unchanging institution, history reveals that the service has always had to adapt and change to circumstance.

In the 1940s, the Fablan Society was in the vaoguard of the country's healthcare reforms, as devout advocates of public ownership and the nationalisation of provision. Yet today, as the most influential of the centre-left think tanks in the UK, the Fabians are once again mapping out the type of healthcare reform demanded by the age. In a recent Fabian Society paper called Accountability not Ownership. author Kathy Jones stated: "High quality private sector providers, mainly bospices and nursing bomes, have long histories of providing care for NHS patients at the expense of the taxpayer. This is ocither sinister, oor damaging to the concept

nf public service... Labour should recognise that private provision does not mean the end of free health care at the point of need. Publiclypurchased services can be, and are, delivered by privately owned institutions without users having to pay. There is no reason wby healthcare providers should be publicly owned."

Today, the UK's independent health and social care sector makes a mainr contribution to the health of

the nation and is a sub-stantial sector of the economy in its own right. If other countries want to learn from the UK's recent experience, they will value a policy environment which encourages a diverse and vibrant independent health and social care sector. Above all, in recognising the importance of visionary thought, they will be mindful to guide their respective systems away from unsustaloable utopianism and towards a more practical

and honest mixed economy approach. Barry Hassell is the Chief Executive of the independent Healthcare Association, the lead association of the UK's independent health and social care sector. IRA, 22 Little Russell Street, London WC1A 2HT.



LETTERS TO THE EDITOR-Number One Southwark Bridge, London SEI 9HL

We are keen to encurrage letters from readers around the world. Letters may be faired to +44 171-873 5938 (please set fax Translation may be available for letters written in the main international languages.

Short life for euro coin likely

From Mr Selwyn Hodson Sir, Those who have

worked in Europe in recent years, lika myself, will generally endorse the views expressed by Mr Jacques Santer, president of the European Commission, on the benefits of Emn (FT Interview, December 2). Nonetheless, the full implications of Emu and the difficulties arising from Maastricht's timetable for the

imposition of a single cur-

rency still give genuine As for the shape and form of the single currency, this is surely a matter that need not cause us too much concern. Taking a long-term

view of our use of currency it is evident that coins and banknotes will soon be deemed outmoded in a European economy increasingly dependent upon sophisticated technology for monetary transactions and with

cards by consumers As a consequence, not only will Europe's individual national currencies be phased out but the same fate awaits Euro coins and banknotes issued by the European Central Bank, in spite of Article 105a of the Maas-

use of credit cards and debit

Selwyn Hodson Pressinger, 189 Rue dn Faubourg St Paris 75008, France

Pause for thought over use of graph

the universal, and exclusive.

From Sir Alan Walters. Sir, In his article "Dear Ken, be decisive" (Decamber 3). Martin Wolf uses a graph to illustrate "how monetary growth precedes inflation". Ha draws this conclusion by comparing real monetary growth (the percentage change in M4 divided by the percentage change of RPI[x]) with the contemporaneous rate of inflation, again in terms of RPIIxl

But one should pause before adducing anything from this graph. Consider a monetary policy on perfect

Friedmanian lines - namely a constant 5 per cent rate of growth of the nominal money supply. Then only variations in inflation can affect the rate of growth in the real money supply. If inflation increases then the rate of growth of real money falls, and if inflation falls the rate of growth of real money rises. There is a perfect negative correlation (-1.0)

between real monetary growth and inflation. This is one among many "nonsense correlations", as the great statistician, Udny Yule,

address is the recycling of

the non-metal component of

cars. Here, both the market

have failed. As a result, most

of the non-metal component

The purpose of the Com-

mission's regulation is not,

market or voluntary agree-

ment could do better, but to

do what the market and vol-

untary agreements cannot

senior campaigner (atmo-

sphere and transport).

26-28 Underwood Street.

Friends of the Earth.

London N1 7JQ, UK

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called them, in time series. Of course, normal monetary growth rarely performs exactly according to the Friedman rule and so such variations have their additional effects, often with variable and long lags. But the dominant "nonsense correlation" renders any monetarist interpretation, such as that drawn by Mr Wolf, dubious at best.

Alan Walters. AIG International, 120 Leman Street, 6th Floor, London E1 8EU, UK

Weakness

Sir, Of course Barry Riley is correct to say not every country can bave a weak currency if by that he means relative to other currencies ("Not everyone can have a weak currency, December 4). It is, though, plausible for all countries to have weak currencies relative to (say) gold. It is even true that every country can follow weak currency policies. For Europe, and Germany and France in particular, the

From Mr Matthew J. Turner,

actual level of the franc and D-Mark against the dollar is not the crucial issue. France is enjoying a large current eccount surplus at today's exchange rate. What is more important for the health of their economies is the level of interest rates. The only floor to these is the Bundes bank's fear of inflation.

A large reduction in Euro pean interest rates still remains the best way to get European economics growing again, no matter what the level of the dollar exchange rate is

Matthew J. Turner. 40a Maud Road. London E18 OJU, UK

Directive on recycling of cars should be applauded

From Mr Roger Higman. Sir, Your leader "Scrap Directive* (December 5) on car recycling argues that the European Commission should encourage voluntary arrangements to encourage car recycling rather than force manufacturers to take back and dispose of cars at the end of their life. You base your conclusion on the fact that 75 per cent, by weight, of the average end of life car is already recycled.

This is completely missing the point: 75 per cent of the average car is recycled because that proportion of the car is metal. The metal component of cars has been commercially recycled for

do - ensure that virtually the entire car is recycled at the end of its life. That, you should applaud.

Roger Higman,

The issue tha European Commission is trying to

EU pensions liability could fall on UK

From Mr Toby Eckersley. Sir, It is now being put about (for example, Lex column, November 2) that UK taxpayers have nothing to fear from the worse actuarial condition of other European state pension schemes because those other states

will bear the consequences by paying higher interest rates for their bond issues. This argument depends upon the fulfilment of at least two constitutional conditions:

 The European Union permitting member states to issue their own bonds. The absence of a Union guarantee of such borrow.

It might be readily said that both conditions would be fulfilled. Yet if enough

states (by the relevant qualifled majority vote) perceive that they would benefit from coercing the minority, what would stop them adding EU guarantees to such borrowings? They would use the same arguments used by the UK government for tight central control of local authority borrowing to regulate European state borrowings in such a way as to coerce the more creditworthy states into lending their good name to Union issues or guarantees, thus bailing

Toby Eckersley. leader of the Conservative. Southwark Council, Peckham Road, London SE5 SUB, UK

out the less prudent.

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FINANCIAL TIMES TUESDAY DECEMBER 10 1996

FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday December 10 1996

BA's flight to freedom

The UK government's decision to nod through the alliance of ment comes in. At present, the British Airways and American Airlines, subject to the sale of slots at Heathrow, might seem the prelude to a done deal. There are two important caveats. First, the aim of UK and US authorities should be to maximise the benefit to their respective consumers, not to their airline champions. There is much haggling still to be done and if the result were not to increase competition, the deal should still be thrown out.

Second, the deal is running in parallel with US-UK talks on liberalisation of air services so-called "open skies" between the two countries. To a limited extent, the two are interdependent. But the negotiations are vastly more important. If liberalisation ever looked like being compromised in haste to do the deal, the deal should again be rejected.

It need not come to thet. The UK government's requirement to sell a total of 168 slots is it is proposed that foreign owndoubtless an opening shot. Between now and January 16, it is open to arguments that the figure is too low. US airlines will certainly oblige.

in addition, the deal has vet to gain anti-trust exemption from the US Department of Justice. The DoJ will doubtless seek assurance on other matters; for instance, that not all the slots will be in the small bours of the morning. If the process is open to equal lobbying from both sides, the result is likely to be even-handed - at least as far as the airlines are concerned.

The benefit to consumers will largely depend on how far the existing oligopoly on transatlantic flights is broken down. This have to change a single line.

only US airlines allowed into Heathrow, by government fiat, are American and United Airlines. Plainly, it makes no sense for BA and American to be forced to sell off slots unless all their competitors are free to buy. Hence the present inten-tion to conclude both the deal and the open skies agreement simultaneously, in perhaps three months' time.

The danger is obvious. That open skies negotiations involve number of complex propositions. The simplest is the abolition of the so-called Bermuda II agreement of 1977, which says that only a handful of US and UK airlines may fly between the two countries. This is the only issue which has direct bearing on the BA-American deal

Two other issnes are more contentious. First, it is argued thet US carriers should be free to fly within the EU, and UK carriers within the US. Second. ership of airlines should be raised above its present 25 per cent ceiling in the US and 49.9 per cent in the UK and EU as a

These are substantial issues, which may take time to resolve. There is no reason why they should be bound to the timetable of a proposed arrangement between two individual airlines, especially since such arrangements often prove temporary.

If, on the other hand, the open skies negotiators do feel moved to press ahead, they should set themselves a simple test; if the BA-American deal breaks down the day after they draw up the agreement, they should not

In proportion

With a bit of luck New Zealand and the equity market is up 6 should finally be able to per cent. announce that it has a new gov . That would hardly-have hapernment today. That it should have taken more than eight weeks to form one appears to speak badly of the country's new system of proportional representation. Perhaps this is one . the central bank the task of con-New Zealand model which the trolling inflation and the freeworld will not regard with envy.

model imported from Germany, so New Zealand cannot make any claim for originality. The striking aspect of its application in New Zealand is not so much that it has proved so difficult to form a government - its politicians bad little previous experihow little the absence of government has mattered.

There has been no sense of in recess. crisis. The financial markets, always an indicator of confidence, have prospered: bond ernment has diminished in New yields have fallen nearly 60 Zealand. The less government basis points since the election. you are used to, the less it mat-the currency has appreciated ters when you do not have one two cents against the dollar, at all.

pened in other countries where the economic framework was less robust. In New Zealand the markets can take heart from the Reserve Bank Act, which gives dom to do so. Equally, the Fis-Then again, this is in fact a cal Responsibility Act limits governments' power to spend.

Admittedly the markets may have been a little sanguine about how this act would be interpreted by a coalition involving Labour and the nationalist New Zealand First which remained a possibility till ence of coalition building - but the end. The absence of a government has also not mattered so much while parliament was

But the calm is also a measure of the way the role of gov-

Nato in knots

The construction of an ity for the Sixth Fleet, as well as enlarged, Europeanised Nato, surveillance over the Middle announced with much fanfare in Berlin six months ago, is proving a trickier business than was first expected. As Nato foreign ministers gather in Brus- ing the Naples job to separate sels today, a host of transatlantic differences, mainly pit-ting Paris against Washington, is undermining the alliance and harming its credibility in central and eastern Europe.

That is an unfortunate state of affairs, to put it mildly, at a to about 20 - now being time when Nato's message to planned: both Russia and future memfirm, consistent and very care nution of its own role in the fully crafted. Mr Yevgeny Primakov, the Russian foreign the one major Nato command minister who comes to Brussels on UK soil, at High Wycombe, advantage of any signs of internal division within Nato. It is therefore incumbent on the alliance to put its own house in

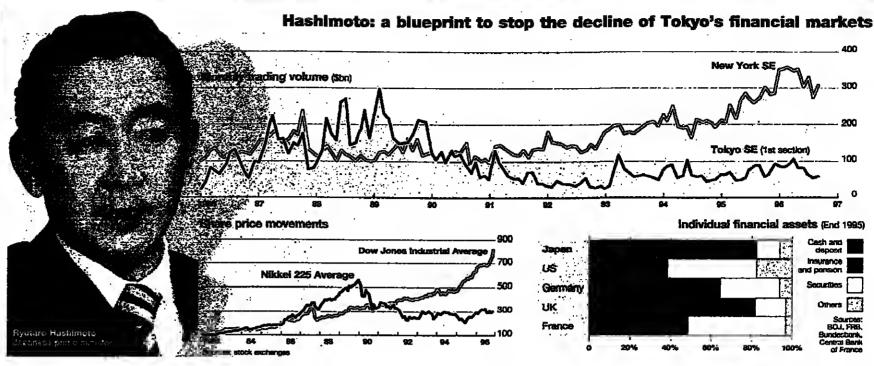
order as swiftly as possible. The most immediate US-France's insistence that responsibility for Nato's southern command in the Mediterranean should be transferred from US to European hands. That is part of the price Paris is demanding for reintegrating French forces into Nato. There is a suspicion in some quarters that the price bas deliberately been pitched high, as part of the longstanding French campaign to loosen US links with Europe. There is very little chance that the US will agree to the

East and North Africa. It should not be impossible to find a way round this problem. however, perhaps by redesign-US national responsibilities from the collective tasks of the alliance. All will have to sacrifice some national interest as part of the streamlining of Nato's structure - from more than 60 regional headquarters

Britain, for its part, has raised bers of the alliance needs to be no objection to the likely dimialliance. It is expected to lose tomorrow, will be quick to take and to forfeit its traditional right to nominate the deputy commander of alliance forces in Europe. It seems reasonable to ask France to show a similar

degree of flexibility. Reforming Nato, by strength French problem arises from ening its European pillar, is important: it should help reassure the Russians thet the alliance is not the same coldwar institution it used to be But equally Nato needs to bind the US to Europe. President Bill Clinton's appointment of Senator William Cohen as defence secretary is an indication of his determination to maintain his Nato commitment. Both US and west Europeans now need to settle their differences to concentrate on the most important task ahead: enlarging the allidemand, given that the Naples-based job includes responsibil-bility throughout the continent

COMMENT & ANALYSIS



A big bang in slow motion

The Japanese government's latest plan to deregulate the financial markets stops short of radical reform, says William Dawkins

kers were initially sceptical when Mr Ryutaro Hashimoto. the Japanese prime minister, approunced last month thet he planned a "big bang" to boost Japan's equity market to the size and sophistication of New York within five years.

It was hard to believe that be would break with the past practice of easing government controls slowly enough to allow the weakest financial institutions to muddle through. That strategy ensured some stability. Bnt, as the Japanese leader now accepts, it also throttled innovation and may even bave worsened the recent banking crisis.

Fearful that Tokyo financial markets are stumbling closer to disaster - a penalty for high costs, burdensome regulations and a series of mishaps - the government is making its most serious attempt to date at financial deregulation. True to Mr Hashimoto's new

promise to allow market forces to rule, the finance ministry followed up the big bang plan 10 days later, on November 21, by ordering the closure of an insolvent regional lender, Hanwa than half a century, and a swerve away from the tradition of keeping dnd institutions artificially

There are reasons to be sceptical, not least because some powerful members of the ruling Liberal Democratic party are resisting a big bang, and the plan itself fails to address some of the Tokyo market's greatest weaknesses. But most people assume thet most of the main points of Mr Hashimoto's big bang will become reality. Foreign banks and stockhrokers anticipate a revival in the Tokyo capital markets, and have started to reinvest

in their Tokyo operations. Japanese brokers are responding too: Tokyo-hased Maruko Securities and Osaka-based Daika Securities have announced they are to merge in an early indication of the consolidation that will in dne course sweep through the overcrowded broking sector.

The plan includes full deregu-

lation of commission on equity sales and insurance premiums. probably from next year. Banks

ankers and stockbro- and stockbrokers are to be allowed to enter each other's daily equity turnover - Tokyo businesses, probably in two years' time.

Pension-fund managers are to be free to invest more money in equities, now limited to 20 per cent of their portfolios. All fund managers will have to disclose the market value of their investments so that their performance can for the first time be compared with that of their western competitors. Also planned is a move towards international accounting standards so that investors can assess the real value of Japanese financial institutions. Licensed foreignexchange banks will, from next year, lose their monopoly. Nothing on this list is new. All

tbese measures have been debated by various finance ministry panels for a decade or more, with the aim of bringing about a slow-motion version of the financial deregulation seen in New York and London. What is new is the 2001 deadline.

Will the plan succeed? Mr Hashimoto should have a better chance of speeding np financial reform than his predecessors. First, Mr Hashimoto's political

survival depends on his ability to -down of a dapanese bank in more nomic deregulation. His minority thread, with the LDP's authority undermined by a series of corruption scandals and a weak economic recovery. He badly needs a

behind him, now that it has succeeded in pushing back Mr Hashimoto's original deadline by a year to fit its own strategy of withdrawing state support for the banks by the end of the decade. "Yes, we are very serious...we will hit the target," says a senior ministry official.

Third, the stockbroking industry has abandoned its resistance to deregulated commissions. As Mr Takashi Kanasaki, managing director of Yamaichi Securities. one of Japan's big four stockbrokers, explains, deregulated commissions might help boost the equity market's flagging turnover, the main reason why Japanese brokers' profits are so

It is not hard to see why there is a new urgency. Many Japanese once took pride in the thought months ago, life assurers and strophic explosioo," warns Mr painful.

thet on some counts - such as had the biggest and most active financial markets in the world.

collapse, Tokyo has lost out to cheaper and more efficient markets in the US. Europe and even Asia on almost every count. While other equity markets

were exploring new highs before last week's shakeout, Tokyo now stands at just over half its 1989 peak. At the turn of the decade, monthly trading values in Tokyo and New York were about equal: now Tokyo's trading value is onefifth that of New York. Tokyo's turnover in shares has fallen by almost 70 per cent from its 1988

importance as the place to trade Japanese equities. Over the past five years, the proportion of Japanese shares traded in London (where commissions were deregulated just over 10 years ago) has tripled to 18 per cent of the total volume in Tokyo. The proportion of foreign

shares traded in Tokyo has declined, demonstrating its fading credentials as an international market. The number of foreign companies with a Tokyo Bank. It is the first forced shut- deliver on this and other eco- listing bas nearly halved from a peak of 127 five years ago to 68 government is hanging by a now. No wonder. One European kers and some of the smaller financial system dictated by pol bank complains that It pays Y20m (£108,100) a year in legal, nerable. translation and administrative fees just to maintain a Tokyo listuccess. ing. up to three times more than Second, the finance ministry is in New York.

The decline in the financial markets is thus not merely a reflection of Japan's own economic stagnation. According to Yamaichi's Mr Kanasaki: "The lack of activity in the Tokyo market last year stems from structural problems. Unless the Tokyo market can shake off structural impediments, such as its peculiar characteristics, the market will not regain its previous vitality."

Yet the finance ministry recognised those structural problems years ago, and has already taken concrete steps to remove some of them in the equity and other markets.

Three years ago, for example, commercial banks were allowed to underwrite corporate bonds though they cannot trade bonds or underwrite equities. Then, two enter each other's husiness. In addition, some pieces of deregulation are taking place on the quiet. Citibank, the US bank. is close to getting the all-clear to link its automated teller machines with those of the post office. This will allow postal depositors to withdraw cash from any Citibank terminal in the world, a blow to the Japanese travellers' cheques industry,

points out Mr Paul Heaton. senior analyst at Deutsche Morgan Grenfell in Tokyo. Last month American Home Insurance became the first foreign insurer to be allowed to sell car policies - which it does at a 20 per cent discount - by mail. Worse, Tokyo is losing its If the consensus for financial

reform is growing, this invites the question of wbether the measures outlined in Mr Hashimoto's plan are enough to close the gap between Tokyo and New York. The signs are that the blueprint contains several large holes. It fails, for example, to propose

bow the authorities are to get an early warning and take corrective action to minimise the large number of financial collapses that would result from the competition unleashed by reform.

have about 670 financial inspectors - onetwelfth the number of their US counterparts - a legacy of Japan's highly regulated market and its orderly society in which everyone can be assumed to be observing the rules. That assumption has been

shown to be false by the Daiwa Bank scandal in which a dealer in the New York branch made \$1.1bn (£670m) of losses in unauthorised bond trading, and by the uncontrolled lending which contributed to the Japan's housing loan crisis. Fewer controls suggest an even more pressing need for additional officers. And vet the government's plans are to cut the bureaucracy, not enlarge it. "If you don't have proper inspection and supervision, you woo't have a big bang, but a cata-

non-life insurers were allowed to Brian Waterbouse, senior analyst at James Capel Pacific. An even larger hole in the blueprint is its failure to tackle Japan's system of subsidised

post-office savings. The post office, the world's largest savings bank, has traditionally offered depositors higher rates than banks and well above the yield on equities. It is the key to Japan's post-war system of extractiog lodividuals' savings for re-direction into strategic industries.

Only the most bullish Japanese investors are likely to move their life savings from high-interest, state-guaranteed post office accounts into equities - which over the past five years bave offered little yield and a big capital loss. Sensibly, Japan's savers have increased their outstanding postal deposits by nearly 45 per cent to Y220,000bn over the same period. That is why the average citizen keeps less than 10 per cent of his assets in equities and investment trusts, as against his US counterpart's 26 per cent.

It is this shortage of equity investment by individuals which most distinguishes Japan's financial system from that of the US. "The single biggest reason for the The less well-capitalised of inefficiency of Tokyo's financial Japan's 235 second-tier stockbro- markets is this remnant of a banks are thought to be most vul- lcy. That is what distorts prices," says Mr Yukihiko Eodo, a policy expert at Nomura Research Insti-The Bank of Japan and tute. Accordingly, senior bankers and stockbrokers have criticised the Hashimoto plan for failing even to mention the post office.

> There is a consensus that the financial markets need radical reform. But the risks of corporate failure are probably too great for the full "big bang" programme to be implemented by the 2001 deadline, and the plan itself fails to tackle the higgest distortion to Japan's financial markets. It is very unlikely that a government would remove postal savers' privileges in the plan's lifetime. So this is as serious about reform as Japan is likely to get.

That said, deregulation in Japan's financial sector is moving much faster than elsewhere in the economy. Even if those who are sceptical about Mr Hashimoto's deadline are proved right, the rationalisation of the financial sector will still be

BSERVER.

Commission competition

The scramble to replace David Williamson as secretary general of the European Commission is under way. Within days of Observer's disclosure that Williamson is ready to retire next year, a front-runner has

emerged in the form of his deputy Carlo Trojan - a half Dutch, half-Italian Mr Fix It who is master of the grand compromise at Euro-summits like this week's gathering in But it won't be plain sailing,

given the reluctance of big countries like France to hand out too many jobs to smaller nations. Trojan's fellow Dutchman Wim Duisenberg is already the next head of the European Monetary Institute and favourite to run the future European Central Bank. Jose Cutileiro, a Portuguese, is secretary general of the Western European Union defence body. And Jacones Santer is the second Luxembourger in 15 years to become president of the European Commission.

indeed, France has a particular attachment to the post of Commission secretary general because a Frenchman -Emile Noel – held the job for the first 30 years of the European Community's life. The trouble is that there is no obvious French

candidate. So what happens if President Chirac decides to block Trojan on principle? The dark horse is Eneko Landeburu, the Basque head of the regional aid directorate, a former favourite of Jacques Delors, and a top-rate manager having previously worked for Nestle in Switzerland, Landeburu's trump card? He was educated in Paris.

Lady in white

The Ukrainian parliament has gained a weighty – and wealthy - new member in Julia Timashenko, youthful president of United Energy Systems, the gas distributor with sales of \$5bn this year, equivalent to about 5 per cent of the country's GDP. Soft-spoken Timashenko favours demure white dresses and looks an unlikely parliamentarian - or tycoon, for that matter. Her rags to riches story, as she tells it, involves school in Dnepropetrovsk and a job at Yuzhmash, once the world's largest missile factory, before going into business in 1990.

Her landslide by-election success certainly had powerful political support in the shape of prime minister Paylo Lazarenko He halls from the same home town and dreamt up the eas distribution scheme that was the making of United Energy.

into the swing of political life; she spends several days a week in Kiev, the capital, occupying the largest suite in the renovated National Hotel and protected by Kalashnikov-toting bodyguards.

Virtue rewarded

In Mexico, government officials who out-shine the president tend to have unexpectedly short careers. This is a long-standing tradition; in ancient Maya times kings would execute successful warriors, rather than stand in their shadow.

So when his popularity ratings zoomed ahead of those of president Ernesto Zedillo. Antonio Lozano must have suspected that his days as Mexico's top law officer were numbered.

In two years as attorney-general. Lozano isiled Raul Salinas, the elder brother of former president Carlos Salinas, on charges of murder and illicit enrichment. He captured Juán García Abrego, a drug trafficker on the FBI's most-wanted list. He fired hundreds of cops in the pay of drug cartels. So Mexicans are more than a little surprised to see Lozano being dismissed for

incompetence. Zedillo may have had a

stronger reason. Lozano having been the only opposition member in his cabinet. With elections looming in 1997, the ruling Institutional Revolutionary Party (PRI) was clamouring for Lozano's removal. Why enhance the opposition's appeal with

Lozano's success? Lozano will linger as a thorn in the PRI's side. His supporters in National Action, the conservative opposition party, are touting him as the next governor of Mexico City. With the PRI trailing badly in the capital, Zedillo may have yearned for a Maya-style method of truncating the attorney-general's career.

Foul-mouthed E Forget bribery and

corruption, whoever replaces Antonio Lozano as Mexico'a attorney-general will to have come up with a policy on bad language. City fathers in Guadalajara, the country's second largest city, have banned swearing at soccer matches in a crackdown on lewd msuits. Offensive offenders face stiff fines and a spell in jail under the ban introduced by the National Action Party, which controls the city council and has already forbidden foul language in public markets. They must be going for the referees' vote.

Financial Times

100 years ago The Italian Budget

An Italian Finance Minister delivering his Budget speech is oot a gentleman to be envied. He has to deal with no less than three Budgets namely those for the past, the current and the future financial years. However there is one advantage about this complicated arrangement, for, like a juggler, he can so confuse the mind hy playing one Budget against the other as to leave a very vague notion with regard to what the condition of the country'a finances really is. It is evident from the Minister's speech that the hiatus has been reduced to relatively small dimensions by the free use of supplementary credits that will have to be paid for

some day or other. 50 years ago

Austerity For France Minister of Finance, will tomorrow submit to the finance committee of the French National Assembly a new general survey of national finance. The re-establishment of the balance of revenue and ordinary expenditure is, it maintains, an essential prerequisite to the restoration of confidence in the currency, on which everything depends.

FINANCIAL TIMES

Tuesday December 10 1996



WTO reports slowdown Malaysian in global trade growth

in Singapore

16

Growth in world trade has slowed more than expected this year because of sluggish demand in the west for con-World Trade Organisation's annual report, published yes-

The report coincided with the opening in Singapore of the WTO's first ministerial meeting to discuss liberalising global trade in telecommunications and information technology, and the lifting of trade

Progress was made in a divisive row between rich and poor countries over textiles, and ministers sought to press ahead with simplified customs procedures to promote greater

According to the report, reduced consumer demand in western Europe and North America has been the main cause of the slowdown. Nevertheless, trade is still expanding more rapidly than world ootput, which is projected to grow this year by 3 per cent, the

cent increase this year in the \$314bn to North America and volume of merchandise exports, compared with 8 per cent last year and 10 per cent in 1994. In March the WTO was forecasting world trade growth

"In fact, it is not so much a question of a sharp slowdown in global trade growth as a return to more typical trade growth following two exceptional years," the WTO says. Its economists also expect some acceleration in 1997 as economic activity picks up in

western Europe. The report forecasts that developing countries will expand trade much faster than the industrialised world, with Asia setting the pace.

poorer nations in Asia are predicted to increase exports by 9 per cent and imports by 10 per cent - nearly twice the world

Asian countries are also importing much more, from each other and from the rest of the world. Trade between Asian developing countries, which reached \$287bn last year, is fast catching up with

western Europe. This, the WTO points out, is proving a potent stimulus to growth for developing countries and for the world economy.

North American exports to developing Asian economies between 1990 and 1995, nearly twice as fast as exports to the rest of the world. Western Europe and Japan increased exports to developing Asia three times as fast rapidly as to other destinations.

Developing Asia now accounts for about the same proportion of world trade as North America, and exports more than the European Union does to non-EU countries. This share is expected to increase further in coming source of growth for the global

Annual report 1996, 2 vols. Available from WTO publications service, 154 rue de Lausanne, CH-1211 Geneva 10, fax 22 739 5458, SFY75.

WTO progress on textiles and

Hong Kong lawmakers bid for posts in new assembly

By John Ridding in Hong Kong

More than half of Hong Kong's legislators have applied for seats in a new legislature to be selected by a Beijing-backed committee, raising the prospect of confusion and disputes ahead of next July's transfer of

Beijing's plan to replace the territory's elected legislature has prompted a protracted stalemate between Britain and China and has emerged as one of the most significant obstacles to a smooth handover.

It has divided the territory's political parties, with prodemocracy forces staunchly opposed to the formation of ael De Golyer, associate profes-

co-operate with the planned as logistically complex and legislature. He has described it "morally sapping".

EU summit

international crime will have

at least the same importance

to Europe's citizens as combat-

ting unemployment today," he

President Chirac said drug

abuse should be combatted by

all means possible. He singled out the Nether-

lands as a problem because of

its "totally different legisla-

tion" compared with other

Continued from Page 1

However, Mr Tung Cheebua, the shipping tycoon set to be named tomorrow as Mr Patten's successor, has backed the provisional legislature. He argues it is needed to avoid a vacuum in the wake of failure by Britain and China to agree a legislature to span the trans-

fer of sovereignty.
China has claimed the provisional body's role will be limited ahead of the handover. but analysts said it would be difficult to avoid disputes and

"Two parliaments is not a recipe for stability." Mr Michsor at Hong Kong's Baptist Mr Chris Patten, governor of University, said. He described

The US bond market was also

30-year Treasury bond was up

about half a point while the

Dow Jones Industrial Average,

which closed 55 points lower

on Friday, was up about 67

points at 6,449.40.

Rebound in world markets

relieved by employment data Friday's 3.2 per ceut drop.

which pointed to a slowing A similar pattern was seen economy, and firm Treasury in Europe. At their worst on

bonds belped shares to rally. Friday, the leading European

In late New York trading the markets were down by 4-5 per

oints at 6,449.40. 100, which fell 88 points on Asian markets were the first Friday, gained 48.6 to 4011.6.

FT WEATHER GUIDE

as unnecessary and provoca-

One western diplomat played down the scale of the problem. "It may make for some bizarre events, but I don't think it will shake confidence too badly," he said. Most aspects of the transition appear to be proceeding quite

By yesterday's closing date, at least 33 of the present 60 lawmakers had eubmitted applications. These include Mr Andrew Wong, president of the existing Legislative Council. who claims he could serve on both bodies without a conflict of interest. Chinese officials have signalled that about half of the 60 members of the new body could come from the

existing legislature. Members of the provisional legislature will be selected later this month.

age gaining 1.6 per cent after

cent. But by the close, they

had cut the declines to about 2

per cent and yesterday they

recooped about half of those

losses. In London, the FTSE

Lundberg's work. Continued from Page 1 to show their relief yesterday with Tokyo's Nikkei 225 aver-

prehensible." He is among those who have criticised ABB's leadership of the consortium to build southeast Asia's biggest dam, which will flood large areas of rainforest and displace thousands

ABB said last night: "We have not put any pressure on the academy. It is their deci-

dam row casts pall over Nobel ceremony

By Hugh Carnegy and

built by Asea Brown Boveri. the Swedish-Swiss electrical engineering group half-con-trolled by Sweden's Wallenberg empire, has cast a shadow over today's annual Nobel prize ceremony in Stockholm. Controversy was sparked when the Royal Swedish Academy of Sciences, which awards the economics, physics and

The academy denied any connection, but Mr Hans Lundberg, the academy'e most senior spokesman on environmental issues, said he was told his remarks had partly caused

The sacking provoked accusations from environmentalists that the academy was seeking to appease big business. They said any hint of commercial influence over the academy would damage the integrity of

Mr Lars Bern, an environ-"Obviously somebody with very bad judgment has tried to belp [ABB] by firing Hans

Conservation of Nature said the academy's reaction was "an attack on free speech and a clear signal to the Swedish research community to sit quietly in the boat. It is unworthy

Mr Carl-Olof Jacobson, academy eccretary-general, flatly rejected suggestions that the academy had come under pressure from ABB to act against

Greg Mctvor in Stockholm A row over a \$5.5bn hydroelectric dam in Malaysia, to be

chemistry prizes, sacked its environmental secretary last month, shortly after be criticised ABB's involvement in the project during a television

his dismissal. He was repri-manded the day after the interview and sacked 10 days later.

the Nobel prizes.

adviser to Mr Percy Barnevik, ABB chief executive, said: Lundberg. The Swedish Society for the

of a free research society."

He said the dismissal was connected with a planned and dissatisfaction with Mi

Mr Lundberg said be bad received no criticism of his work during his 10 years at the academy and there had been no mention of a restructuring before his dismissal. "I am paralysed. It is completely incom-

of indigenous people.

sion. We have not had any contact with them."

THE LEX COLUMN

Electronic warfare

Philips has got itself into a frightful twist over Thomson Multimedia's privatisation. After denying it was complaining about the French government's plan to inject FFr10bn (\$1.9bn) into the near-bankrupt conaumer electronics group, it wrote to the European Commission expressing its concern that this might amount to a "serious potential distortion to competition". The com-mission certainly viewed the letter as a complaint, but the Dutch electronics group is denying it was any-

thing of the sort.
The problem seems to be that Philips wants Thomson tied in knots but without its fingerprints on the rupe. Last week's postpone-ment of Thomson's privatisation will not change the fact that Multimedia needs a recapitalisation. But Philips must be honing that as a quid pro quo, the commission will insist it cuts capacity. After all, the Dutch group is having to shed thonsands of jobs in response to waterthin margins in the consumer electronics industry. A resurgent Thomson fighting aggressively for market share is the last thing it needs.

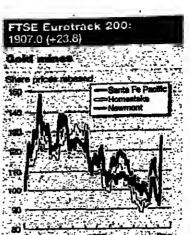
On the other hand. Philips has many interests to protect in France. So it probably does not want to be seen to be telling tales out of school. Philips may also be sensi-tive to the fact that it too receives state aid - though not on the scale that Thomson is seeking. Complaining to Brussels looks dangerously like a case of the pot calling the

Gold merger

The gold industry is witnessing a dash for size and growth. Only the strong will survive in an era where mining companies are required to finance exploration activities across the globe. The proposed \$2.3bn Homestake Mining/Santa Fe Pacific Gold merger has its roots in this

is far from clear that Homestake industry'e minds. would make a better partner for Santa Fe than Newmont Mining, which last week made an unfriendly offer for the company.

Whatever Homestake can offer in terms of reserves and production, Newmont can match. It also has a more impressive record on growth and exploration, and a better list of projects in the pipeline. There is a further issue: the new Homestake would have larger production, but could still find itself short of growth opportunities. Without these, and



facing fairly high cash costs, it would be unable to bridge the valuation gap that allows companies like Placer and Barrick to trade on

much fancier multiples. Clearly, with Newmont's offer about 12 per cent below Homes-take's, shareholders would currently do better to take the latter. But they could reasonably expect an auction to produce an even better price. Unfortunately, such competitive bidding is not encouraged by the \$65m back-out fee Homestake and Santa Fe have agreed if either reneges. It is difficult to avoid the suspicion that Santa Fe management fears for its future if Newment was to prove successful.

UK insurance

There are good reasons wby Britain's insurance aector is constantly abuzz with merger talk. It may seem perverse for big companies to respond to the threat from smaller competitors by getting bigger still. But when profitability is under pressure, even modest synergy benefits are worthwhile. Moreover, Royal Sun Alliance'e merger So far, so good. The snag is that it has helpfully concentrated the

> The snag is that the cost-cutting potential of insurance deals may be convincing, but it is not enough to justify bostile bld premiums. Friendly mergers are far more likely. And such deals are always tricky; management rivalries and valuation disagreements too often get in the way. Investors gamble on the likely outcome at their peril. Even so, the market's latest

enthusiasm - a merger involving BAT Industries' insurance interests - looks compelling. The reason is

simple: BAT is under more pressure than most insurers to do something about its share price performance. However, investors should take two aspects of the latest speculation with a pinch of salt.

plecel sale

First, it would be odd indeed if BAT were to pool all its insurance interests with the same partner. Certainly Farmers, the US busine is unlikely to suit the same partner as BAT's UK businesses, Eagle Star and Allied Dunbar. But the really curious notion is that BAT would keep control of any merged insurance business, rather than spinning its share off. This would mean creating a yet bigger tobacco and insurance conglomerate - the last

UK brewing

The referral of Bass's proposed acquisition of Carlsberg-Tetley to the UK's Monopolies and Mergers Commission is slightly puzzling. The obvious time for reviewing conties between brewers and pubs, was last year when Scottish & Newcastle acquired Courage. Moreover, the government appears concerned by a trend that appears inevitable; namely consolidation in a brewing industry that is offering pathetic returns on capital.

That said, the industry - apart from the deal's participants - will be delighted with this decision. Bass's big competitors will be hoping that either Bass is forced into punitive concessions before being allowed to expand a brewing oligopoly or that Carlsberg-Tetley is hob-

These are the two obvious outcomes. The MMC has been obsessed with horizontal integration between brewers and tied pubs. Bass may have to sell over 1,000 tied pubs. and possibly brands as well, in exchange for approval. Alternatively, if the deal is blocked, Carlsberg-Tetley will limp on with ahrinking morale and declining

At least the downside for Bass looks limited. If the deal collapses it would lose £40m (\$66m) but probably a once-mighty competitor as well. The real victim would be Carisberg. Under an option agreement, the Danish company would end up with 85 per cent of a brewer. which would require intensive management surgery just to survive.

Additional Lex on Christmas shopping, Page 24

Europe today

Most of the continent will remain cloudy and cold. Maximum temperatures will be around freezing as easterlies winds

The UK will be milder but most

regions will also be cloudy.

A low pressure area across the western Mediterranean will bring rain across Italy, south-eastern France and the western regions of the former Yugoslavia. Further east, it will remain dry. especially in western Turkey which will have sunny periods. Spain will have some sunny spells but Portugal will turn cloudy with rain spreading from the weet.

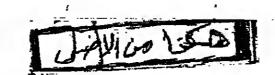
Five-day forecast

South-western Europe and the central Mediterranean will continue unsettled with outbreaks of rain.

A mass of cold air across northern Europe will steadily move south, keeping most of the continent cloudy and cold. By the end of the week, it will be wet.

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FINANCIAL TIMES

COMPANIES & MARKETS



in Telecel sale

The heavily oversubscribed initial public offer of Telecel, Portugal's leading mobile phone operator, is expected to raise Es66.85bn (\$431.3m) in the country's most successful global offering to date. Demand was over 17 times higher than the number of shares available to international investors in the float of 35.6 per cent of one of Europe's fastest-growing cellular phone opera-

Swiss Re In \$383m acquisition Swiss Re, the world's second-largest insurance company, has made its second big acquisition in less than six months with the SFr500m (\$383m) purchase of Unione Italiana di Riassicurazione

(Uniorias), Italy's biggest reinsurer. Page 18

Southwest downgrades forecasts Southwest Airlines, the most successful of the low-cost US carriers, warned that fourth-quarter profits would be "substantially below" the previous year's record level in spite of a big increase in passenger numbers. The company's shares fell 75 cents to \$24 in early trading as analysts downgraded their profit forecasts.

Hayes to acquire 77% of Lemmerz Hayes Wheels International, the world's largest wheel supplier, has agreed to acquire a 77 per cent majority stake in Lemmerz Holding, a German family-held company. The \$240m cash and stock offer is the latest in a spate of trans actions as the car components industry consolidates. Page 20

Carclo down 20% after steel collapse Shares in Carclo Engineering Group fell by almost 20 per cent after the specialist steel and wire manufacturer issued a gloomy profits warning following "a collapse" in stainless steel prices. The company cautioned against expectations of a rebound in stainless steel hy saying prices had failed to pick up after falling 40 per cent in the first half. Page 24

Bass may gain \$500m from hotels sale Bass, the UK drinks and leisure group, said it was seeking to dispose of its company-owned Holiday Inns in North America. Analysts estimated it could receive up to \$500m from tha sale, which is being negotiated with Bristol Hotel Company of Dallas. Up to 81 hotels could be included in the deal, totalling 15,000-17,500 rooms. But they do not include Crowne Plazas or Holiday Inn Expresses. Page 25

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OTHE MANCIAL TIMES LIMITED 1996 Tuesday December 10 1996

Hot' Tag Heuer makes investors sweat

William Hall reports on the fall from stock market grace of the Swiss watchmaker

ag Hauar sports watches are hot property. In Asia they are the second most counterfeited watch brand after Rolex and the company's sales have grown 28 per cent a year since a new management team took over in 1988. In less than a decade Tag Heuer has emerged from obscurity to become one of the top five Swiss watch brands after Rolex, Swatch, Cartier and Omega.

However, its reputation with young consumers is not matched in tha investment community. Since its initial public offering on the US and Swiss stock markets just over two months ago, the shares have dropped by more than a quarter against a background of rising world share prices. Tag Hener seems set to be remembered as one of the biggest international stock market flops of 1996. The story of its IPO is a cantionary reminder of what happens when a "hot" new issue gets too hot - investors get burned. The SFr614m (\$485.1m) issue. Switzerland's biggest for more than a year, looked like a winner. Salomon Brothers and SBC Warburg, the investment banks, were joint global co-

ordinators and the issue had a

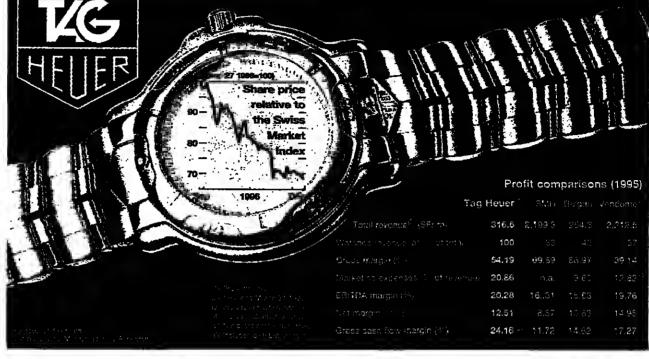
strong supporting cast led by

Morgan Stanley and HSBC

Investment Banking. The main

Swiss private banks acted as

Salomon Brothers' Mr Jeffrey Peiner, one of Wall Street's top retailing analysts, described Tag Heuer as one of the most compelling growth stories in the luxury goods sector. Its rating should be more like that of a luxury goods company, such as Gucci, or a global hrand like Coca-Cola, rather than a Swiss watch-



Tag's sponsors were preaching to the converted. Shares in Gucci, the revamped Italian fashion house, had nearly trebled since their issue at \$22 in October 1995, and Saks, the New York department store. jumped 50 per cent on its first day of trading in May.

It was not hard to pigeonhole Tag Heuer as another "hot" new issue that investors could not afford to ignore. The offer was expanded by more than a third and even though the price was set at SFr245, the top of the range, it was heavily over-subscribed. In the US the American depositary shares were issued at \$19.55.

were trading at \$13.75 and SFr177.5 respectively.

What went wrong? Thirdquarter sales were in line with expectations and Mr Ueli Trachel, finance director, says nothing has changed since the IPO to warrant the stock market's reaction.

be company and its advisers blame "technical problems" for the fall in the share price. US investors were primed to rate Tag Hener like a luxury goods stock with a price earnings multiple of more than 20.

Swiss investors preferred to rate it like SMH, the world's biggest watch company, which is trading on 14 times 1997 high-quality accounts.

earnings. With liquidity split hetween the US and Swiss markets, the share price collapsed when US investors, supporting the higher rating, started to bail out.

Tag Heuer was particularly

vulnerable since it came at the end of a string of "hot" luxury goods IPOs and fairly close to the year end. Riding on a "hot" new issue like Tag Heuer is an easy way for fund managers to boost their performance. They pay no commission going in and should gain a premium getting out.

Handlers of IPOs are aware of this problem and the key to a successful one is to make sure the hulk of it is placed in

The real blame rests with the company's advisers and its big sbareholders, according to rival bankers. They say it was not ready to he brought to market, its shareholders took a hig chunk of equity out of the company in a recapitalisation less than a year ago and even though the IPO was designed to repair the balance sheet, it left Tag Heuer with negative

ings of SFr216m. These issues could have been overcome if Tag Heuer's backers had spent more time educating investors. But the IPO boom was in full swing. multiples on luxury goods stocks had more than doubled

rush to get it away before the market turned. The result was one of the fastest ever IPOs from start to finish, with little effort to curb market expectations that Tag Hener was going to be another Gucci.

In fact, Tag Heuer's growth cannot be compared with Gucci's. In the first nine months of this year its sales rose less than 10 per cent while Gucci's climbed by two thirds. Gucci is trading on a multiple of roughly half its growth rate, while Salomon argues that Tag Heuer should trade at a premium to its growth rate of 15 per cent plus. According to Bank Vontobel's 1997 estimates, it is etill trading on 16 times earnings after the fall in its share price.

s Camilia Reeves, a fund manager with Hambros, the UK investment bank, says the company's backers asked too high a price for the stock. This impression was compounded by the fact that when the issue was expanded, the bulk of the extra shares came from Doughty Hanson, a UK venture capitalist, which ended up selling more than four times as many shares as it had planned.

The fact that Mr Richard Hanson, chief operating officer of Doughty Hanson, is also Tag Heuer's chairman may have alarmed investors.

Tag Heuer's management equity of SFr70m and borrowmust now try to repair the company's battered stock marwith big losses have to he cajoled to stay with the company, while would-be investors need reassuring that the fall in the share price does not mean there is something wrong with

Leading ski Monsanto to split off chemicals division companies left in cold after poor results

By David Owen in Paris Heavy early snow in the Alps

promises a bumper skiing season this winter, hnt two of companies will be struggling to take advantage of it. .

Skis Rossignol, the French ski maker, yesterday reported a near 14 per cent decline in first-half net profits from FFr129m. The company also warned its results for the year to end-March 1997 would come in balow the FFr115.7m reported last time.

The announcement came a week after rival Salomon, the world's largest manufacturer of ski bindings, said it expec-ted its 1996-97 results excluding exceptional items to be about the same as last year's

Yesterday's announcement sent Rossignol shares down FFr2.90, or more than 2 per cent, to FFr137 on the Paris stock market. Salomon shares rose FFr1.80, or 0.4 per cent, to FFr444.80, but they have fallen markedly since peaking at close to FFr490 in October. Both companies have been hit by diversification costs.

Roesignol is investing heavily this year in a product development programme geared towards the snowboarding, parabolic ski and rollerskating markets. The company expects to launch a Rossignol roller skate in 1997. But it said that although the world market for winter sports equipment was declining, it managed to "reinforce" both its sales and market shares in all product lines.

Salomon's diversification costs are expected to increase to some PFr80m this year from FFr15m in 1995-96. In its first half it experienced a 20 per cent decline in tha Japanese alpine skiing market and a strong performance from its Taylor Made golf clubs. Like Rossignol, Salomon is planning to launch a new roller skate - at the start of 1998. First-half sales at Salomon

registered a strong 18 per cent increase from FF1.71m in the six months to end-September 1995 to FFr2.02bn this time. Rossignol sales advanced 6 per cent from FFr1.14bm in the first six months of 1995-96 to FFr1.21bn in the most

both". Some 1,500 to 2,000 companies, and must also gain "Monsanto now houses two engineered seeds. Its other employees, about 5-9 per cent shareholder approval. The distinct businesses with criti-remaining husinesses will be Monsanto, the US chemicals of its global workforce, would and hlotechnology company, be laid off as a result of the

yesterday announced plans to split off its chemicals division to shareholders and said it was setting aside \$400m to \$600m to cover associated charges. After the split, Monsanto will have about \$3bn in revenues. become a life-sciences com-lt makes and markets a range focus on the agriculture, food

and healthcare markets. into two publicly traded com-

demerger. The joh cuts will occur in the first quarter of

The chemicals division, as a pany with \$5bn in sales and a of speciality chemicals, including carpet fibres and window coatings. A name for the new Monsanto said the demerger company was not announced.

The company is seeking panies was intended to approval from tax authorities "unlock significant value in for a tax-free separation of the

company said it hopes to accomplish the split hy the end of 1997. In the meantime, the two organisations will operate separately within Monsanto,

beginning early next year.

Monsanto's decision was influenced by the diverging of its two main businesses. While the chemicals businesses are quite profitable, the commodity nature of their products leave growth potential for the division far below Monsanto's high-technology life-sciences

cal differences in their markets, products, research and investment needs and plans Shapiro, Monsanto's chairman. "After careful consideration, we're convinced these businesses must operate separately to meet their maximum poten-

food products, including the artificial sweetener hrands Nutrasweet, Equal and Canfor growth," said Mr Robert derel, and the pharmaceutical company Searle.

The company's stock was down 1/2 cent at \$40% per share in early trading yesterday. Monsanto did not give any details of debt distribution Monsanto's shares have ral- between the two new compalied to record levels during the nies, but said it expects the past 12 months on the strength capital structure of the chemiof the company's high- cal company to result in an technology agriculture prod-ucts, including genetically from the first day of operation.

Fiat shares fall as Rome rejects idea of sales incentives

By Halg Simonian in London and John Simkins in Milan

and industrial group, fell by 1.4 per cent yesterday after Mr Romano Prodi, the prime minister, disappointed the company's hopes for a special incentive programme to stimulate car buying and boost sluggish demand.

Mr Prodi, speaking in at the weekend, acknowledged the government had been considering ways to boost the car market. However, he said it would be wrong "to put the laws of the market under tension".

Mr Prodi is thought to have been influenced by developments in France, where two car incentive programmes stimulated sales by domestic carmakers, but also attracted unprecedented amounts of imports.

The French scheme has also been criticised for unbalancing the market Demand for cars fell by 21 per cent in November - the first month to feel the full effects of the programme which ended in September. Mr Prodi said: "The French government now has the

worry of 60,000 potentially unemployed workers in the car

industry." In an attempt to adjust to lower sales and cut costs, Renault and Peugeot-Citroën, the two leading French carmakers, recently asked the government for help in reducing jobs through early retirement

So far, four European countries have introduced incentive and stop the fall in consumer schemes, while a number of demand," he said yesterday.

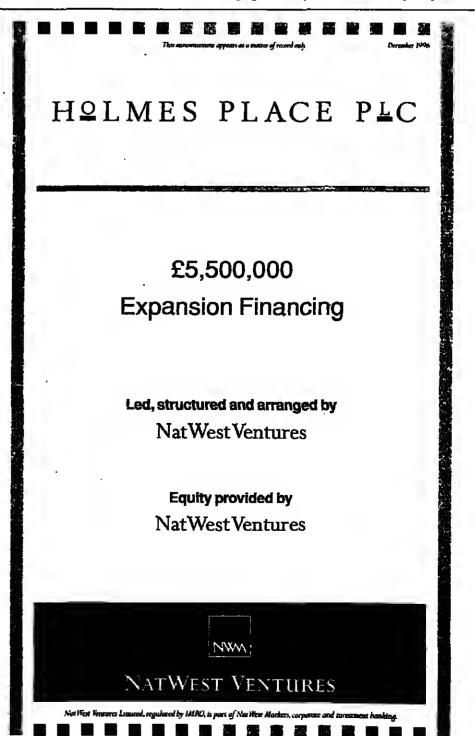


to boost consumer confidence

idea. A Spanish programme helped boost the market durwork at the country's car factories, which are all owned by Smaller programmes in Ireland and Denmark have also been judged broadly successful, partly on environmental

Mr Prodi's comments triggered a sharp reaction from leading industrialists. Mr Cesare Romiti, Fiat's

chairman, said tha govern ment needed to take action to boost consumer confidence. "It is necessary to relaunch the growth of unemployment, sup



COMPANIES AND FINANCE: EUROPE

EUROPEAN NEWS DIGEST

Flughafen Wien sees downturn

Flughafen Wien, the Vienna airport authority, warned yesterday it expected net profits to fall about 10 per cent this year because of high depreciation charges for its recent expansion and additional costs during the harsh

The company forecast 1996 profits of about Sch600m (\$55.4m) after record earnings of Sch673m in 1995. Revenue rose only 4 per cent this year, while costs jumped 8 per cent. Flughafen's share price climbed Sch10 to Sch522, while the market rose 1.26 per cent. Expectations of lower earnings and a icoming capital increase to finance further construction had caused the stock to lose half its value this year.

But the airport authority said it would not need to raise fresh capital until 2000, even though annual traffic growth is expected to stay at or above 8 per cent in the coming years. The next physical expansion of the airport facilities was planned for 1999, it said. Operating profit margins should climb from 18 per cent in 1996 to 25 per cent in 2000, and the return on capital employed should rise from 12.5 per cent to 15 per cent.

Czech bank sale approved

The Czech National Bank, or central bank, has approved the sale of Interbanka, a small commercial bank, to Bayerische Landesbank Girozentrale of Germany and Kulkereskedelmi, a Hungarian bank controlled by BLG. It is the first move in what is expected to be a hectic period of consolidation in the Czech banking sector.

BLG is to take a 55 per cent stake in Interbanka, one of the few small-tier Czech banks not to experience severe ioan-ioss problems. Kulkereskedelmi will hold the other 45 per cent. No terms were disclosed.

Philips to sell US plant

Philips, the Dutch electronics group, is to sell its US television plant to local suppliers, in an outsourcing arrangement which forms part of the Fl 800m (\$463m) restructuring of its Sound & Vision unit. The facility, in Greeneville, Tennessee, produces more than 1m sets a year with 1,800 employees. Its assets are being bought by GC Capital, a vehicle for Mr George Taylor and Mr Charles White, who supply wooden cabinets for units produced at the site. Gordon Cramb, Amsterdam

Bilfinger downbeat on profits

Bilfinger + Berger, the German construction company, said new orders in the 10 months to October had risen from DM8.1bn to DM8.3bn (\$5.4bn). The order backlog totalled more than DM10bn at the end of October. compared with DM9.5bn last year. Earnings would not reach last year's levels because of difficult market conditions in Germany. The company posted a riet profit of DM105m in 1995.

AFX News, Mannheit AFX News, Mannheim

Oerlikon-Buehrle sales slip

Oerlikon-Buehrle, the Swiss weapons and engineering group, said sales in the 10 months to October fell 1.9 per cent to SFr2.9bn (\$2.2bn). Orders fell 2.7 per cent to SFr2.8bn following the sale of several companies, notably Pfeiffer. It said operating results and net income improved significantly. The company expected 1996 sales of SFr3.7bn, with the full-year operating results significantly better" than last year's SFr139m. AFX News, Zürich

FT/S&P World Indices

The committee which oversees the FT/S&P-Actuaries World Indices announced last night it is to change the rules governing the weighting of privatisation stocks in the indices. Until now, if more than 25 per cent of a company's issued share capital is made available to investors, then the whole share capital has been included in the indices. But the committee has decided that this can create unrealistic company weights, which are unattainable by investors.

In future, when governments make available less than 50 per cent of the shares, only the "free float" shares available to the public will be included in the indices. Above 50 per cent, the full issued share capital will be included. The rule will not apply to existing constituents, apart from Deutsche Telekom and Eni, which were recently included in the indices at their free float weightings, respectively 25.35 per cent and 30.8 per cent.

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

Portuguese phone IPO heavily oversubscribed

public offer of Telecel, Portugal's end of the pre-determined range of leading mobile phone operator, was expected to raise Es66.85bn (\$429.6m) vesterday in the country's most successful global offering to date.

Demand was more than 17 times the number of shares on offer to institutional investors in the sale of 35.6 per cent of one of Europe's broker. fastest-growing cellular phone operators, analysts said.

The offering, Portugal's biggest Portugal's Banco Essi, are widely grouped together in the holding

A heavily oversubscribed initial at Est70.9bn. This was at the top Es6,900 to Es8,100.

> Analysts expect the price to rise further when trading begins today in Lisbon, London and New York. "Many institutions, who were prepared to pay up to Es8,100 a share, will be seeking to increase their allocations," said a London-based

The global co-ordinators, Leh-

ever private-sector IPO, was priced expected to exercise an option to at Es7,950 a share, valuing Telecel increase the offering by up to 10 per cent.

This would increase the sale from 35.6 to 39.1 per cent of the company and increase the amount raised from the sale from Es60.77bn to Es66.85hn.

AirTouch, the US mobile phone company, increased its stake in Telecel from about 38.8 to 51 per cent through the offering. The selling sharebolders, Portugal's Espírito Santo financial group and

Ciba Speciality Chemicals

company Telepri, reduced their holding from 62.3 to 10 per cent. Demand was strongest from international institutions, who

were offered about two-thirds of the shares. The Portuguese institutional and retail tranches were both about four times oversubscribed, analysts said.

"Demand was on the same level as the recent record-breaking offering of Portugal Telecom, even though the share price was very high for the Portuguese market man Brothers, SBC Warburg and the cork company Amorim, and there were no discounts for small investors."

A Lisbon analyst said Telecel had been valued at a 1997 p/e ratio of about 14.2 at the lower end of the price range and 16.7 at the upper limit, on a 1997 earnings per share forecast of Es485, up from an estimated Es324 this year.

This is seen as attractive for a profitable, high-growth company in a young market where there is only one other competitor. Analysts say it compares favourably with the outlook for companies in markets such as the UK where mobile operators are fighting flercely for market share.

h equities.

More in 1896.

Swiss Re in Ciba's chemicals arm gets its head SFr500m Freed from its shackles the specialities business is adopting a new ethos Italian

acquisition By William Half In Zurich and John Simkins in Milan

Swiss Re, the world'a second-largest insurance company, has made its second big acquisition in less than six months with the Ciba and Sandoz have SFr500m (\$383m) purchase of Unione Italiana di Riassicurazione (Uniorias), Italy's

Swiss Re, which has just completed the SFr3.2bn acquisition of Mercantile & General Re, a UK reinsurance company, is buying Uniorias from Instituto Nazionale delle Assicurazioni, Italy's biggest life assurance

Swiss Re has also bought a 0.75 per cent stake in Ina. The two companies have agreed to co-operate closely in other areas, including the development of life assurance products and the provision of life and health rein-

Uniorlas, which has gross preminms of L1,504bn (\$988m), used to be owned by all of the leading Italian insurance companies before it was bought by Ina. However, Ina made clear in its 1994 privatisation prospectus it wanted to sell Uniorias because it did not regard it as part of its core business. Some 78 per cent of Uniorias's business is nonlife reinsurance with the rest being life reinsurance.

Under the deal Swiss Re will hay 49 per cent of Uniorias in early 1997 and the balance at the end of the year after the business has been restructured and the reinsurance business separeal estate investments.

The real estate and securities will be kept largely by Ina in a 100 per cent controlled company. However, some of the real estate will be demerged into a company 51 per cent controlled by Swiss Re and 49 per cent by Ina and sold as soon as real estate market prices improve.

The purchase price is based on a net asset value of in pigments, the company Uniorias at the end of 1996 plns a payment for goodwill of about SFr170m, mostly nology is about to come off for the value of the in-force life business of Uniorias.

ost managers would not hesitate if faced with the choice between working for a fast-moving drugs and agrochemicals company or for a chemicals group with stagnant markets and cyclical profits. But staff caught up in the Novartis merger between

spurned the opportunity to be part of the world's second-largest drugs company, opting instead for Ciba's \$5.2bn chemicals spin-off. Not least among the chemical company's attractions is its future autonomy. In spite of strenuous efforts to present Novartis as a joining of equals, Sandoz is emerging as the dominant partner.

cance because Sandoz is a more autocratic and hierarchical organisation than Thus, for many at Ciba, the chemicals company presents the chance of indepen-

This holds greater signifi-

"All of a sudden, we have chance to shape our own future, and determine our own fate," says Mr Hermann Vodicka who will be the chemical company's chief executive.

This sense has been enhanced by the freethinking personal style of Mr Rolf Meyer, the company's chairman designate.

Such a combination has done nothing to lighten the commercial pressures facing the new company. But it has changed the way in which they are being approached. The commercial pressures are considerable. True, Ciba

Speciality Chemicals, which has been cleared to keep the name of its forebear. rated from the problematic recorded an operating margin of more than 11 per cent inadequate marketing last year. But the performance of its five new divi- is easy to see why the sions varies considerably, glamorous pharmaceuticals and even the best face prob- and agrochemicals busilems of maturity.

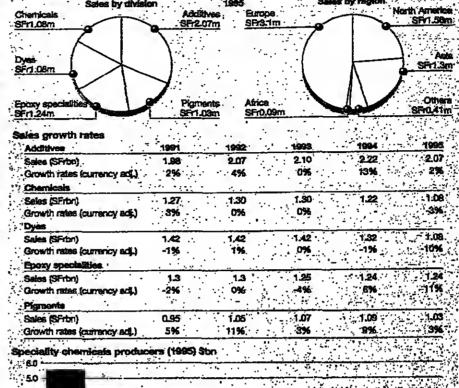
The largest division will be additives for plastics. lubricants, paints, photographic and printing chemicals. Ciba leads the world in this field, but the business is an elderly one. Similarly, is the front-runner, but

In specialist plastics, it is a

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work to assist them.

benchmarking study, assess-

is the new executive incen-

vate executives is median-

level executive pay, supple-

mented only where ambi-

solid performer, and seems are now escaping this yoke, set to remain so.

But, in textile dyes, where it is scknowledged as technologically superior, it faces a miserable market. And in its chemicals division, it has been described as "a dia- such as its plant-sharing mond in the rough", with arrangement with BASF. first-rate technology, but poor returns following from

in the face of this litany, it tives are designing a framenesses might wish to be unshackled.

But the state of the industrial businesses reflects their role, until now, in supporting the life science stars.

"Peopie invested in Ciba for its pharmaceuticals and agrochemicals," says Mr Reinhard Neubeck, head of tives scheme. its most important tech- additives. "The role in life of speciality chemicals was to generate cash." The chemicals businesses

tious performance targets triggering real excitement at are attained. the opportunities for improv-Such schemes are not

ing profitability and increasnovel, but the proposal that ing scale. Even textile dves qualification for a ?share: restructuring. may face a brighter future, - option incentive scheme for through further alliances the company's top 200 executives will depend on them investing between one and As managers are adjusting two years' gross salary in to this change in emphasis, company shares is, for a the company's new execu-European company, gr breaking.

Likewise, the company is r John Cheesbased on best US practice. r John Chees-mond, who will be head of strategic planning, cradles a 150-page national organisations that had evolved under the old ing best practice in asset Ciba with 14 to 16 regional management, the value businesses. Each will be chain and cost structures. backed up by a slimline busi-One of his personal projects ness support unit.

Research and development is being hived out to each tor, than of chemicals: a Another strategy to motibusiness, and a central R&D bonus carried forward from steering committee has an era of integration. been set up to distribute company-wide projects.

"We are taking the best from every model we could find," says Mr Cheesmond. The new company is also

examining its legacy of 12,000 trademarks and 22,000 patents. In an unprecedented exercise, taking 50 people several months, it is cataloguing them all with a view to expioiting them more thoroughly.

or Mr Meyer, cur-rently Ciba chief financial officer, the word of the moment is entre preneurial.

He credits the new management with reinventing the chemicals operation, but it is Mr Meyer who has been

the greatest driving force. He has been involved from the beginning - during Rio Negro, the internal study on enhancing shareholder value that first considered a chemicals spin-off, and then through Rio Grande, which saw talks opened with Sandoz.

He sat through meetings in seedy botels in Germany. and then France, booked under "neutral" names and paid for in cash, so no-one could trace the participants. He selected the executives to be brought into the loop, and then ensured they signed secrecy agreements.

Indeed, the secrecy was spectacular; even the Swiss authorities, deep in negotiations over a way of launching the new chemicals company without incurring a tax bill, did not know the true scale of the imminent

Mr Meyer's delight at the spin-off is obvious as he describes how it all began. Nor is it hard to spot the link between his leadership and the level of hope and idealism that has taken hold at the chemicals company.

In one of his earliest adopting a pension scheme letters to colleagues about the spin-off, he opened by At an operational level, it summarising the company's is replacing the 40 to 60 guiding philosophy as "just do it". Seven pages later, the ciosing attachment was "Edward de Bono: The Six Thinking Hats diagram".

this approach is more typical of the pharmaceuticals sec-

Jenny Luesby

sėlěct'

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Viag unit in US plastics purchase

By Raiph Atkins in Bonn

Schmalbach-Lubeca, a subsidiary of German conglomerate Viag, yesterday announced it was taking over the PET plastics business of Johnson Controls, the diverse US group, in a deal understood to be worth about DM1bn (\$649m).

The acquisition will enable Schmalbach-Lubeca to challenge Crown Cork & Seal, the US-based packaging group, for world leadership of the PET sector. PET is a polyester-based plastic used for drinks bottles as well as pharmaceutical and surgical uses. After the deal is completed, Schmalbach and Crown Cork & Seal will each have world market shares of

about 15 per cent. Mr Hanno Fiedler, Schmalapproval, as an "important step" in restructuring Schmalbach, which has suffered in recent years from cally complementary" to its Germany's relatively poor existing PET business. economy it follows the which is based in Europe group's creation last month of a metal packaging joint venture with Pechiney of

are to sell a 60 per cent stake would be closed after the in the metal packaging venture to Doughty Hanson, a January. UK investment company. help Schmalbach fund yes-US company is not being kets.

revealed at this stage, but Schmaibach described reports of a DMibn price tag

as "not really wrong".
Schmalbach was advised by Bankers Trust in London. Johnson Controls refused to disclose its advisers. Johnson Controls is based

in Milwaukee, Wisconsin. and supplies automotive equipment, control systems and services for non-residential buildings and plastic packaging. The plastic container division acquired by Schmalbach has sites in north and south America as well as Europe, and has an annual turnover of more than DM1.2bn.

Johnson Controls said the sale would allow it to avoid a secondary stock issuance which it had been considering to belp fund the \$1.35bn bach-Lubeca chairman, acquisition of Prince, an described the deal, which is automotive interiors supsubject to regulatory plier, which was completed on October 1.

Schmalbach described its acquisition as "geographiand Asia and has annual turnover of about DM600m. However, the company said it was too early to say Pechiney and Schmalbach whether some locations two groups are combined in

Mr Fiedler said the deal Proceeds from the sale will with Johnson Controls would give Schmalbach terday's Johnson Controls access to "strategically deal. The amount paid to the important" American mar-

astics purchas



In equities

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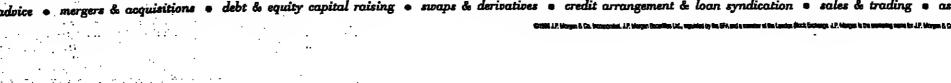
More in 1896, more in 1996

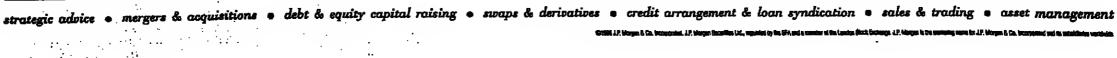
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COMPANIES AND FINANCE: THE AMERICAS

Fare-yield fears prompt Southwest warning

Southwest Airlines, the most successful of the low-cost US carriers, yesterday warned that fourthquarter profits would be "substan- Southwest Airlines reported a 10 tially below" the previous year's per cent decline in third-quarter record level in spite of a big profits, blaming higher fuel costs increase in passenger numbers.

It blamed a combination of high ticket tax. The company said it jet-fuel prices, which it said had expected its fourth-quarter perforrisen 25 per cent since this time mance also to be affected. last year, and an increase in the ing at discounted fares.

downgraded their profit forecasts. could fall came in October when lower figure. and the reimposition of a federal

This led analysts to predict that

cents. However, it now appears suffered a crash. An earlier indication that profits that Southwest will report a much

> Some US low-cost airlines have recently run into financial difficulties, partly because of the aftermath of the ValuJet Airlines crash earlier this year, which shook some travellers' confidence in the safety of new carriers.

Southwest says it has not sufwould fall from the previous year's carriers, as it has been in business

The company's shares fell \$% to 29 cents, when the company had for 25 years. It also claims to be the \$24 in early trading as analysts net profits of \$43.4m, to about 25 US's safest airline, having oever Morgan Stanley, said that South-

Mr Raymond Neidl, an analyst at Furman Selz, said: "Southwest's routes. traffic, for the most part, is still very good, but it appears it might be coming at the expense of yield." Yield is the average fare paid.

"Airlines are trying to keep their load factors very high, and if the traffic doesn't materialise, they have to sell more of their highproportion of leisure travellers fly fourth-quarter earnings per share fered in the same way as the new priced seats at a discount," Mr

Mr Revin Murphy, an analyst at west appeared to be suffering from its expansioo into longer-haul

"It's a market segment they are not used to, and it's come back to them that they are getting more leisure travellers than business travellers on these routes.

Mr Murphy said that establishing tha correct business mix was a learning process that meant going out into the marketplace to see what the market would bear.

Imsa ADS offering set to raise \$150m

By Daniel Dombey in Mexico City

Mexico's largest equity there could be downward offering this year was expec-ted to be priced late yesterday or today, with the initial public offering of \$150m of American depositary shares in Grupo Imsa, an industrial conglomerate from the northern city of Monterrey.

The company, which specialises in steel processing, is offering 12.3 per cent of its equity, with an over-allotment option to increase the issue by 15 per cent. Pricing is planned at \$19-\$21 per ADS. Half the issue will be sold in the US and Canada, with the remainder divided between Mexico and other international markets.

Of the capital raised, \$100m will go to redeem preferred stock and the remainder will be used to pay off short-term debt. Imsa hopes then to be in a position to expand its international side. It has manufacturing and distribution operations in North and South America, and plans to complete the \$30m acquisition of a steel plant in Argentina by the end of this month.

The group expects 1996 sales of \$1.05bm, a 10 per cent increase on last year's total, and a net margin of 11 per cent, more than double last

Although the issue is Mexican offering.

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thought to be reasonably priced relative to other steel companies, analyats said

struction products divisions, which together account for almost half of sales, have lower margins than its core steel processing business. Imsa has been preparing

price pressure because

Imsa's car battery and con-

to go public for some six years, but it was finally the peso devaluation of 1994 that made the chief shareholders push ahead on an equity

"The crisis of 1994 made us give even more importance to having the necessary capital to compete on an international level," said Mr Rafael Serna, treasurer.

About 42 per cent of the group's revenues are from export sales or foreign operations, with the US its biggeat market outside Mexico. Mr Serna said the company hoped to maintain the proportion of foreign revenues in spite of an expected improvement in the Mexican market next year.

The lead managers for the US and international offerings are Citicorp and Paine-Webber, with co-managers Donaldson Lufkin and Jenrette, J.P. Morgan and Morgan Stanley. Accival, the Banacci group's brokerage, is the lead manager for the

Skies closing in for Canadian

The airline may have to shrink to survive, says Bernard Simon

nyone wanting to fly from Calgary to Vancouver has a choice of three airlines and no fewer than 33 non-atop flights a day. The choice is equally dizzying between other Canadian cities, notably Toronto, Montreal and

This competition may cheer passengers, but it has triggered a shakeout in Canada's airline industry, separating the weak from the strong.

The weakest at present is

Canadian Airlines International, which at the weekend finally secured union agreement for its second rescue plan in three years. The plan requires concessions from 70 lenders and lessors; the federal government and tha provinces of British Columbia and Alberta, Dallasbased American Airlines (which has a 33 per cent equity stake); and six unions 16.400 workers.

Mr Buzz Hargrove, president of the Canadian Auto Workers, the last union to agree to the restructuring. has urged Ottawa to end the "insane, destructive competition" in the airline industry by bringing back some of the regulatory curbs that have been lifted in the past

With many flights between Toronto, Ottawa and Mootreal carrying fewer than 20 passengers, Mr Hargrove said: "You couldn't pay for the food with the fares of passengers oo the jet."

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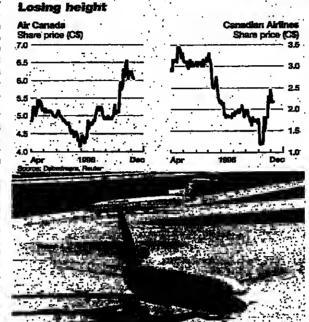
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representing the airline's Two's a crowd: analysts say one national carrier is enough

Not everyone shares Mr Hargrove's proposed solution, but few disagree with his analysis of the problem. According to a Montrealbased analyst, "there's not enough market to sustain two national airlines".

Over the past seven years, Ottawa has lifted nearly all route and pricing constraints on domestic airlines. An "open-skies" agreement with the US, signed in 1995, has also cleared the way for head-to-head competitioo between US and Canadian

The full impact of the pact will be felt in February 1998, when remaining curbs oo US airline services to Canada's three busiest airports -Toronto, Vancouver and Montreal - will be phased

ir Canada, the bigger of the two national Carriers, adjusted relatively smoothly to deregulatioo. It has respooded aggressively to cut-price fares and new services offered by rivals.

Its shrewdest move was to open an array of crossborder routes, which minimised competition from the powerful US airlines by avoiding their "hubs" and oeapolis, Kansas City and Raleigh-Durham. Many travellers to these cities are busi-

ness people paying full fares. The Montreal-based carrier notched up record quarterly earnings - excluding one-time items - of C\$149m (US\$109.5m) in the third quarter to September 30. Domestic services cootributed only 45 per cent of revenues. While domestic revenues were flat year-on-year, cross-border business grew 38 per cent.

Canadian Airlines entered the deregulation era with significant handicaps. It has never overcome the burdens imposed by its 1989 takeover of Wardair, a buccaneering charter airline. A transfusion of C\$246m in equity the public.

rary respite. As the over-crowded Calgary-Vancouver route shows,

from American Airlines in

1994 gave it only a tempo-

Canadian has also faced an onslanght in its western stronghold. Besides Air Canada, it has had to contend with Westjet, an aggressive new carrier, also based in Calgary. Oce-way fares between Calgary and Vancouver - a 70-minute flight have been chopped to about

Canadian has lost C\$1.25bo in the past five years. Losses totalled C\$49m in the first nine months of 1996, and ahareholder equity has been virtually wiped out. Canadian's plight has raised a delicate political issue for the Liberal govern-

ment. Many western Canadians, never slow to accuse Ottawa of favouring Ontario and Quebec, have made the airline's survival a test case of the Liberals' commitment to the west.

The government has so far drawn the line at fuel-tax rebates, which would apply to any airline in financial difficulty, and would have to be paid for with tax loss carry-forwards. Mr David Anderson, transport minister, rejected Mr Hargrove's call for re-regulation, saying: "Yoo'd discover you had far fewer jobs."

There is widespread agree ment that Canadian's long-term survival requires more than fuel rebates, wage cuts and loan standstills.

As part of the restructur-ing, the airline intends to expand its Asian services 20 per cent and double crossborder flights, while cutting its domestic network 11 per concentrating on second-tier cent and selling at least part stinations, such as Min- of its regional operations in Ontario and Quebec.

If the latest restructuring succeeds, Canadian is expected to evolve into a smaller carrier, serving mainly western North America and Asia from its Vancouver hub. Air Canada could then justifiably declare itself the country's only national airline. Canadian Airlines International yesterday asked European and Japanese banks and aircraft lessors to accept a three to six-month delay in loan and lease payments so that it could complete its financial restructuring, writes Robert Gibbens in Montreal. Creditors are

owed more than C\$2bn. CAI

now plans a national adver-

tising campaign to re-assure

Hayes to acquire 77% of Lemmerz

By Tracy Corrigan in New York

Hayes Wheels International, the world's largest wheel suppliar has agreed to acquire a 77 per cent majority stake in Lemmerz Holding, a German family-held company. The \$240m casb and stock offer is the latest in a spate of transactions, as the car components industry

"Car manufacturers are looking for global suppliers," aaid Mr Ron Cocuz, chairman and chief executive of Haves. "It makes a lot of sense to combine our businesses to deliver additional value for customers and shareholders."

The new company, under the name of Hayes Lemmerz International, will have a global market share of 20 per cent, compared with Hayes' current 14 per cent share.

"This move aligns our strategy with that of our customers," said Mr Cocuz. Haves wants to offer the same product anywhere in world at local market

Tha merging of the two businesses is expected to produce at least \$20m in annual cost savings, derived from lower labour and material costs, Mr Cocuz said. The deal could increase earnings by 25 per cent, if buy-out partnership, owns 48

Lemmers has already moved some operations out of Germany to Spain and Turkey, and that will be accelerated by a move into the Czech Republic following the acquisition. No plants are expected to close in Germany as a result, but there will be job losses as a result of greater automation. Mr Cocuz declined to estimate how many jobs would be lost

The shift to the Czech Republic will also give the company access to lower cost steel, accounting for about \$4m-\$5m of the total cost savings. Mr Cocuz said.

The Hayes offer consists of \$130m in stock and \$110m in cash. If Hayes acquired the remaining 23 per cent of the company, the whole company would be valued at \$310m. plus the assumption of \$55m in net debt. The overall debt to equity ratio of Hayes is unchanged at about two to one.

Lemmerz, which is not publicly quoted, has annual sales of about \$450m and earnings before interest, tax. depreciation and amortisation of \$65m. Hayes, Which had pro forma sales of \$968m last year, merged with Motor Wheels Corp in July, undergoing a leveraged debt and equity recapitalisation. Joseph, Littlejohn & Levy, a per cent of the company.

AMERICAS NEWS DIGEST

Turner 'derailed Fox News deal'

Mr Ted Turner, founder of CNN, derailed negotiations betweeo Mr Gerald Levin, Time Warner chief executive, and Mr Rupert Murdoch, News Corporation head, on the carriage of Fox News on Manhattan Cable, according to a report in tomorrow's edition of Vanity Fair magazinc. Carriage on Time Warner's showcase Manhattan system was vital to a successful launch of Mr Murdoch's Fox News Channel. When Fox was denied access - after Mr Murdoch believed he had a "done deal" with Mr Levin - it led to one of the biggest rows in the US media for years. Mr Turner called Mr Murdoch a "scumbag", while Mr

Murdoch's New York Post pulled CNN from its television Tha January issue of Vanity Fair says that although

Time Warner was required to carry at least one competing news network on Manhattan Cable, Mr Levin was planning to carry two – the new Microsoft channel, MSNBC, and Fox News.

However, Mr Turner argued that the long-term future of CNN would be threatened by such a move, which would also delay the roll-out of Turner Classic Movies and the Cartoon Network. "All while you shoot CNN in the figurative dick," Mr Turner is reported as saying to Mr

Mr Levin had allowed Mr Murdoch and MSNBC to believe they already had deals with Time Warner, but in the light of Mr Turner's opposition, Mr Levin then told Mr Murdoch one month before the launch of Fox News that Time Warner had chosen MSNBC instead.

Microsoft to raise R&D spend

Microsoft said yesterday it would increase spending on basic research 300 per cent next year and boost its Microsoft Research unit from about 170 computer research scientists to as many as 500.

The US software group plans to spend about \$330m over the next five years. It said the research would not be tied to specific commercial products, but would aim to provide a better understanding of how people use computers and allow researchers to explore a wide range of different

Microsoft said it would share some of the results of its efforts with researchers at other firms and would collaborate with them on various projects. The move runs counter to a general trend under which many large corporations are cutting basic research in order to focus on commercial product development. Microsoft said it would spend \$2.1bn in fiscal 1997 on the development of commercial products. Tom Foremski, San Francisco

MCA becomes Universal

MCA, the entertainment arm of Canadian drinks group Seagram, has changed its name to Universal Studios. The adoption of an updated version of the 81-year-old globe logo as the concern's trademark marks a further step in the consolidation of its diversified film, television, music, video and theme park interests.

Although certain well-established sub-brands will remain, each business sector - Universal Music, for example - will in future be immediately identifiable as part of the group, officials said.

The change follows 18 months of internal restructuring since Seagram bought control of MCA from Matsushita of Japan, according to Mr Ron Meyer, president and chief operating officer. "By presenting a cohesive identity we maximise the strengths of our assets under one global brand, which will enrich our marketing efforts across all our businesses," he added. MCA, formerly Music Corporation of America, was set up in the 1940s as a booking agent for big bands.

Christopher Parkes, Los Angeles

Magna makes UK purchase

Magna, the Canadian-based international car parts manufacturer, has bought Caradon Rolinx, a British supplier of bumper assemblies with annual sales of

US\$130m, for US\$33m from the Caradoo conglomerate. Magna also plans an acquisition in Brazil to supply parts to expanding Volkswagen and General Motors operations there. Magna, with plants in North America and Europe, has nearly US\$500m cash available. It is posting record earnings and sales are running at an annual rate of US\$5.5bn. Robert Gibbens, Montreal

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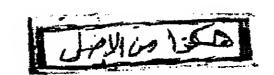
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HK power groups study co-operation deal

By Louise Lucas in Hong Kong

Hong Kong's two higgest electricity groups yesterday took a step towards co-operation when China Light and Power, the dominant supplier, said it was willing to discuss the sale of electricity to Hongkong Electric.

The move comes as the government, with an eye on icism from consumer groups erument consultants who CLP's surplus capacity, is and environmentalists, who reckoned on transmission urging the company to defer believed greater efficiency its planned Black Point could be achieved by (US\$60.5m). They effectively power station, approval for which was granted in 1992 before the slowdown in elec-

Electric, the monopoly supplier on Hong Kong island, has been given the go-ahead to extend its generating enabling Hongkong Electric to utilise CLP's excess capac-

would involve extra costs to Ross Sayers, managing direccompensate equipment tor of CLP, said the compasneggested that sales of Since then, Hongkong 350MW of electricity to 2005

were feasible. This would not entail additional capital expenditure costs for CLP, he said, confacilities. This triggered crit- trary to the findings of govcosts of HK\$488m quashed the notion of electricity sales.

But CLP stressed its analy-Speaking to the Legisla- sis was at a preliminary

Golden shares

Electric said any deal would providers and rearrange fin- ny's preliminary analysis depend on pricing. Mr Sayers said this would have to be discussed by the government and the two compa-

> Analysts helisve CLP could gain by selling surplus electricity to its competitor. Largely hecause of the migration of manufacturers across the border, demand for electricity has not kept pace with CLP's forecasts in pany now has excess capac-

could force a change in the government's traditional policy of planning for the two

areas separately. One possible solution to equivalent amount of generating capacity. This invest-

Bendigo Mining

Gold reserves

at Augus! 31 1996

Pre-tax loss

CLP argues that any further tive Council's economic ser-deferral of Black Point vices panel yesterday. Mr and other issues had yet to loon peninsula, home to adjustment to the company's While CLP serves the Kow- ment could be offset by an be discussed. Hongkong mass residential estates, Scheme of Control, which light industrial factories, specifies permitted profits as and retail mails, Hong Kong a percentage of net fixed Electric is responsible for assets, limits tariff rises and Hong Kong island and two ensures supply and demand less populated islands. But are matched. This return analysis say oversupply could then be deducted from CLP's return under its Scheme of Control - an arrangement which could burt its shareholders.

However, any change to the pricing dilemma would the Schemes of Control be for Hongkong Electric to would require Beijing's make a capacity payment to blessing, as they run past recent years, and the com- secure the rights to an July next year, when China

ASIA-PACIFIC NEWS DIGEST

South Korea bank ADRs postponed

South Korea has decided | postpone the overseas issuance of global depositry receipts by two banks until next year because of poo conditions in the domestic stock market. Boram Baik will issue a \$70m GDR in February, while Korea Lng-Term Credit Bank will launch a \$200m GDR dung the second quarter of 1997.

Korean banks were thi year given permission for the first time to launch oversas issues to improve their capital bases before the baking sector opens further to foreign competition. However, a slump in the Seoul stock market has discouraged reign investors. Korea Long-Term Credit Bank as forced to cancel a recent issue when overseas invstors demanded a discount, while Cho Hung Bank ha to reduce its GDR from \$250m

The finance ministry sld it would limit the number of bank GDRs next year. Beides Boram and Korea Long-Term Credit Bank, bey include e \$150m issue by Commercial Bank of Kora in January and a \$150m issue John Burton, Seou by Hanil Bank in March.

Coles Myer chief steps down

Coles Myer, Australia's bagest retailer, which has been under fire from shareholders over its poor operating performance, yesterday snounced that Mr Peter Bartels, its chief executive, wouldeave the company at the end of the year. He will be replied by Mr Dennis Eck, chief operating officer, who joied Coles in 1994 from the Vons supermarket group in th.US.

Mr Bartels will also sto down as a director of the retail group. The changes follor months of speculation about the inture of Mr Bartels, who earned A\$2.8m (US\$2.23m) last year, making him on of Australia's best-paid executives. The remuneration was attacked at Coles' recent annual meeting b shareholders and employees not least because it was aid in a year in which profits at the retailer fell by one-tird to A\$280.4m.

Sega and Hundai in tie-up

Sega, the Japanese make of video game and arcade machines, is tying up wih Hyundai, the Korean conglomerate, to sell armie amusements in Korea. The new company, Hyundai ega Entertainment, will be 75 per cent-owned hy Hyuriai's trading company arm, with the remaining shares to beld by Sega. It will use one of the Hyuriai group's lock plants in Korea to manufacture games machines using pris imported from Japan.

The deal follows Koren deregulation of games areade

operation. Sega is alread expanding its arcade husinesses on the back of huoyancyin the sale of commercial games machines. This year, the company has had success with arcade machines which nable users to print out photographs in sticker from | Michigo Nakamoto, Tokyo

Johnson Electric upbeat

Johnson Electric, the Hong Eng electronics company, said lower raw materials prices and a weaker yen would increase operating margas it the current year. Net profits for the first six month rose 38 per cent to HK\$21.3m (US\$27.8m) on sals up 24 per cent at HK\$1.41bn. Sales to Europe crabed 37 per cent. The company reported robust derand for power tools, which rose 30 per cent, while automtive component sales were AFX-Asia, Hong Kong 27 per cent higher.

Billionaire barons see shiny future in Bendigo

New mining techniques have attracted big-hitting investors to an old Australian goldfield

hen Mr Kerry a clue to what the billion-Packer, reputed to aires see in Bendigo. be Australia's richest man, and Sir James Gold- bought licences to 90 sq kms smith, reputed to be one of of the old Bendigo goldfield, the richest in the world, get from which more than 20m together for a deal, one troy ounces of gold was proexpects it to be big - in the duced between 1851 and 1954. same league, perhaps, as the The Bendigo field remains £13bn (£21.34bn) they bid Australia's second-biggest unsuccessfully for BAT, the UK tobacco to insurance conglomerate, seven years Western Australia has a big-

So what is it about Bendigo Mining, a small gold exploration company - market value ahont A\$30m (US\$23.9m) – operating in no efficient ventilation sys-Victoria, Australia, that war-tem – and the water that

rants their interest? Each of the dollar hillionaires owns nearly 10 per cent of Bendigo, but they are not the only big-hitters involved. Mr Peter Philip, previously chief executive of Newmont, the biggest US gold mining group, is chairman.

Bendigo are the responsibility of Mr Doug Buerger, the tion peaked between 1872 managing director. He was general manager at Dominion Mining, one of Australia's large mining groups, before being invited by Mr Philip to take the job at Ben-

Both Mr Buerger and Mr Philip are South Africans -

The little company has gold producer - only the Golden Mile at Kalgooriie in ger output.

The old-time miners could not go very deep. Below 650 metres they were usually defeated by heat - they had tem - and the water that poured in. Now the billionaires are hoping that the oldtimers left a wealth of gold behind and that modern South African mining techniques can get it out at a profit.

During the field's heyday roup, is chairman. in the 1870s, more than 1,300 Day-to-day operations at mines were working the Bendigo reefs. Their producand 1876 at more than 360,000 ounces a year, even using 19th-century technol- rah Line of Reef workings,

> In 1978, WMC, then known as Western Mining, returned trials. It spent A\$20m on infrastructure - headframes,

winders, treatment plant has so far explored only 40 and evaporation ponds -

Bendigo Mining in 1993 and the company acquired the r Buerger says it has been possible has been possible to investigate some of the old underground tunnels in the historic Debo-

before withdrawing in 1991. The hillionaires bought into

the last to be developed on the Bendigo goldfields. The company has even held its to Bendigo and carried out annual meetings down there.

per cent of the Deborah Reef, it has put together a resource of 180,000 ounces of gold and intends to huild a 2007. tunnel to start underground mining and exploration

Williams United 36

South C'Shalton 23

31

Bendigo has also acquired ground where modern exploration techniques have not been used before, taking the total to 450 so kms, and will spend A\$3.8m this year on exploration.

So far Bendigo has processed 2,000 tonnes of rock, all of which has contained That will not happen more than 1.5 grams of gold again, for although Bendigo per tonne. The company's

objectives remain modest. Its target is annual production of 200,000 ounces a year and reserves of 1m ounces by from underground but from

and his team can year. bring South African experience to bear on the problem of accessing deep gold. "Our expertise is in getting to the ore body." Bendigo also plans to

another South African technique - not previously used in Australia - designed to reduce the noise of mining in an urban environment.

duce its first gold in its 1997-98 financial year, not an open pit, and it expects to mine hetween 20,000 and r Buerger says he 25,000 ounces in ahout a

Mr Buerger says this will provide the cash flow to enable underground development and exploration to continue, adding that the company will not go hack to crush ore underground, shareholders for more money for some time - even if two of them do have very deep pockets.

Ken Gooding

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THE CHUGOKU ELECTRIC POWER COMPANY, **INCORPORATED**

(Incorporated with limited liability in Japan)

U.S.\$250,000,000 61/4 per cent. Notes due 2001

Softbank buys into Trend Micro

By Michiyo Nakamoto

Softbank, the fast-growing Japanese PC software and distribution company, is taking a 35 per cent stake in Trend Micro, a developer of computer virus protection software, for Y3.5bn (\$31.1m).

Trend Micro, which is headed by Mr Steve Chang, a Taiwan-born entrepreneur. has headquarters in Tokyo and operations in the US. It supplies virus protection software to leading PC companies and Internet busiesses, including Microsoft, Sun Microsystems, Netscape and Fujitsu

The latest investment by Softbank is part of a spending spree that has given it a stake in more than 50 Internet-related businesses, including Yahoo!, the fastgrowing US company that

"I believe dealing with [computer] viruses is a very important business as our society is becoming e net-work society," said Mr Masayoshi Son, head of Softbank,

With companies and other institutions becoming increasingly dependent on the PC, the threat of viruses was serious, he said.

Mr Son said the company's latest investment was in line with its strategy of forming alliances or joint ventures with leading Internet husinesses to create "Softbank Internet syndi-

Softbank, which has interests in PC software distribution, publishing and exhibitions as well broadcasting, plans to gory," Mr Son said. continue making small "In areas other tha investments in Internet- Internet husinesses, we wi

provides an Internet search related businesses, he focus on JSkyB, but I have

The company this year finished investing in joined with Mr Rupert Internet-related businesses, Murdoch, the media baron, he said. to take a 21.4 per cent stake in a Japanese national

semiconductor memory tion, Mr Son said.

products.

"We have repeatedly sai that we would refrain from making large investment that require raising funds of the capital markets or taking on loans, but [Trend Micro does not fall into that cat-

never said that I heve

Softbank has hidden assets worth Y10bn from its invest-TV network and set up ment in Yahoo!, in which it JSkyB, a multi-channel digi- has a 36.33 per cent stake. tal broadcasting service in Yahoo! Japan, the joint ven-It also invested \$1.5hn in January, had been profitable the largest US supplier of from its first month of opera-

Trend Micro, which plans Such rapid and large to list its shares on the Japainvestments have raised con nese over-the-counter marcerns about its financial sts/ ket in 1998, is not the industry leader worldwide, but it has an 80 per cent share of the Asian market for virus protection software and forein revenues and a tripling of Internet-related business sales in each of the next two

Issue Price 101.386 per cent. -

IBJ International plc

Goldman Sachs International

CS First Boston

Merrill Lynch International

Nomura International

Banque Bruxelles Lambert S.A.

Commerzbank Aktiengesellschaft

LTCB International Limited

Barclays de Zoete Wedd Limited Daiwa Europe Limited

Paribas Capital Markets

Morgan Stanley & Co.

Nikko Europe Plc

Nippon Credit International Limited SBC Warburg Sumitomo Trust International plc

Tokyo-Mitsubishi International plc Yamaichi International (Europe) Limited

Halifax Building Society \$500,000,000

March 1999

Notice is hereby given that the notes will bear interest at 6.375% per annum from 6 December 1996 to 6 March 1997, Interest payable on 6 March 1997 will emount to \$157.19 per \$10,000 note and \$1,571.92 per \$100,000 nors. Agent: Morgan Guaranty Trust Company

JPMorgan

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to finance the purchase of telecommunications equipment from ERICSSON S

Arranger, Underwitter, Facility Agent & Security Agent

ABN AMRO Bank N.V.

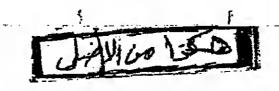
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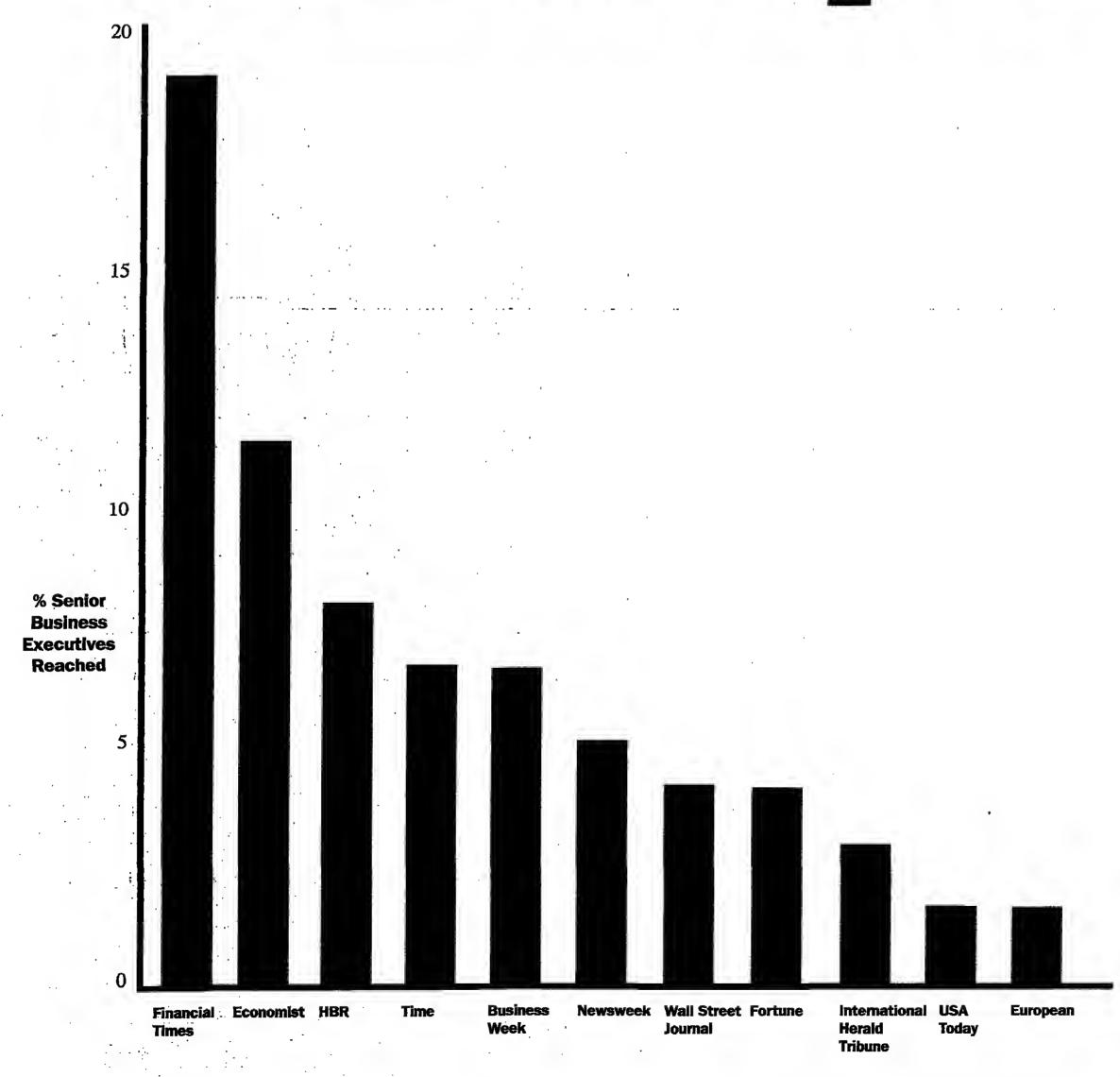


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FRF 1 000 000 000
FLOATING RATE NOTES
DUE SEPTEMBER 1997
ISIN CODE: X50052643755

For the period September 10, 1996 1996 to December 10, 1996 the new rate has been fixed at 4.35156 % P.A. Next payment date: December 10, 1996 Control ne: 0

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THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST LUXEMBOURG

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THE NATIONAL GRID COMPANY plc Reporting Of The Transmission

The Transmission Services Scheme provides The National Grid Company pic ("NGC") with incentives to manage certain elements of the costs that arise as a result of the difference between actual generation despatched on any particular day and the idealed day shead forecast generation schedule. These additional costs fall within what is known es "Uplift". NGC elso has incentives to manage energy losses incurred on the high voltage transmission network within England and Wales. The Trenemission Services Scheme was agreed between NGC and members of the Electricity Pool and runs for twelve months from 1st April 1996 until 31st

March 1997 inclusive. The total level of Uplift during October 1996 was £64,856,781.
The level of Uplitt in respect of which NGC was incentivised, during October 1996 was £28,725,558. The total payment to NGC, from Electricity Pool Suppliers, as a result of the Transmission Services Scheme operating in October 1996 was (£438,851).

The Transmission Services Scheme The Transmission Services Scheme includes Incentives to control Transmission Losses. The payment to NGC for the management of Transmission Losses in October 1995 wee £189,863. Paymants under the Transmission Gervices Scheme are made and determined in econdance with the Electricity Pooling and Sottlement Agreements In England and Wales. The calculation of the paymants te a highly complex process, which may be subject to revision or correction, and therefore no relance should be placed upon thase figures as an indicator of the performance of The National Carl Company size, the any other purpose whatsoever. The figures reported above are rounded to the neersat pound. Further ntormation may be obtained by contacting Energy Settlements and nformation Services Ltd. Telephone Information Serv 0115 945 6789.

Published by Energy Settlements and Information Services Limited a wholly owned subsidiary of The National Grid Company plc.

COMPANIES AND FINANCE: UK

International Airmotive purchase will double aerospace side

BBA makes **\$289m US buy**

engineering company, yesterday announced plans to donble its aerospacs interests by acquiring International Airmotive, one of ted to lift BBA's gearing to North America's largest engine overhaul and aircraft servicing businesses, for

The company, which is funding the deal from internal resources, also Industry analysts esti-announced its first move mated that International into aircraft servicing in Airmotive - which serves Europe by forming a maintenance joint venture at Zurich's international airport.

The deals mark BBA's first significant expansion since it sbandoned a pntativs £2.4bn bid for Lucas Industries of the UK earlier this

The shares rose 9'/p to 354p after Mr Roberto Quarta, chief executive, said: "The proposed sequisition reflects BBA's commitment to building its sviation division as a core business, thereby enhancing the overall balance of the group." Of the \$289m purchase

motive, BBA is paying its BBA Group, the UK management sharebolders and Citicorp venture capital backers \$185m, while assuming \$104m of debts.

The acquisition is expecabout 70 per cent. But Mr Quarta predicted that strong cash generation would belp reduce that total to about 40 per cent over the next 12 Industry analysts esti-

only the business aviation and regional airline market - made operating profits of almost \$20m on sales of \$176.5m in the nine and a half months to September 30. "This looks a very good

ing its crack at Lucas, according to one analyst. International Airmotive is expected to be integrated with BBA's existing Signature aviation services business in North America, which last year underpinned

pre-exceptional operating

profits of £50m in BBA's

deal for BBA and will restore

investor confidence follow-



Roberto Quarta: commitment to building aviation division

transportation division. The bosiness is based

mainly in Dallas, where it has a large engine overhaul and servicing centre, and includes International Turbine Service - a distributor of aircraft parts - with sites in cities such as Phoenix, Charlotte and Pittsburgh.

North America's largest "fixed base operation" for ths fast-growing business aviation market

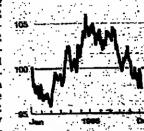
BBA also announced plans to establish its first such outlet in Europe with Zimex, a business aircraft maintenance joint venture at Zurlch Airport. The aviation Mr. Qoarta said the division is expected to have enlarged division would be annual sales of about £400m.

LEX COMMENT

Christmas shopping

If you believe what you read and hear, Santa has arrived early. All the talk is of jingling tills and traffic jams in the car park. '110-There is evidence both that shops are attracting new customers, and that the average spend is significantly higher than last year. Is this then the signal to pile into retail stocks? Closer examination suggests caution would be in order; the news from the high street is by no means uniformly cheery. Sales signs in windows are a sign that all is

UK retallers



not well. And the statistics back up the anecdotal impression: today's figures from the British Retail Consortium show that the rate of growth in retail sales is clearly slowing. Given this underlying picture, it is not surpris-ing retail stocks have, in general, underperformed the market over the past six months, with the sector premium falling from roughly 25 per cent to about 20 per cent. The slowing sales trend has also been aggravated by the added concern that interest rates look to be on a rising trajectory. Ironically, the best chance of a steady performance for the sector probably lies in precisely this trend of solid, low inflationary growth. Christmas may drive share prices higher in the short term, but any rally is sire to founder soon after on the rocks of higher

Eurotunnel traffic Virgin rules out |Further warning tumbles 40%

Les Echos The FT can help you reach additional business readers in France, Our link with the French business pewspaper, Les Echos gives you a unique recruitment ures released yesterday. ertising opportunity to capitali

on the FT's European rendership and to further target the French business world. information on rates and furth Toby Finden-Crofts on +44 171 873 3456

By Tim Gordon

The fire in the Channel tunnei on November 18 cut monthly traffic through the tunnel by more than 40 per cent compared with the high traffic levels of October, according to Eurotunnel fig-Eurotunnel, the tunnel

operator which two months ago reached an outline agreement on restructuring its £9.1bn (\$14.9bn) debt. also said its Le Shuttle Tourist car-carrying service would restart today. Eurostar, the walk-on service operated by London Continental Railways, recommenced service

The number of Eurostar passengers wss 295,161, down about 40 per cent on October's 488,244, but up from 283,180 in November 1995. This brings to 4,605,556 the total number of passen-British Airways to take over gers carried in 1996. Euro-

end that several trains were full last Sunday. In November, 33,182 trucks were carried on the Le Shuttle Freight service, down about 45 per cent on October. This was also down 31 per cent on the 48,263 lorries carried in November 1995. In 1996, 519,003 trucks bave announcing its plans in has gone into administrapassed through the tunnel.

Pabenisoum Sudano

star said that ticket sales

were "picking up steadily"

since the service restarted

Air Liberté bid from Microvitec

Virgin Express regional airline said it would not bid for Air Liberté, the ailing French regional carrier. The decision clears the way for

the airline. Mr Jonathan Ornstein. Virgin Express's chief exec-utive officer, said: "We do not have the kind of willingness to lose as much money as I think whoever buys this company will lose,"

British Airways, in partnership with French Banque Rivaud, has been the leading contender in the race to acquire Air Liberté since October to give Air Liberté a tion.

Mr Richard Branson's FFr630m (\$119.3m) capital injection.

Mr Ornstein had said earlier be planned to top the BA bid, but Virgin Express never submitted any bid. There are other opportunities we are looking at in France," he said.

Air Liberté, founded in 1988, lost FFr650m in the first nine months of 1996 because of a fare war and poor passenger numbers at the airline in the run-up to full liberalisation of French airspace.

BA and Rivand's offer has to be approved by the creditors of Air Liberté, which

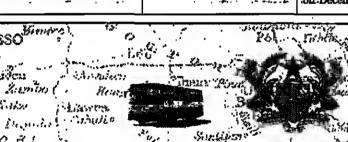
By Paul Taylor

Microvitec issued its second profit warning in four months yesterday sending shares in the computer softlow of 20%p down 7%p on and did so again yesterday. the day.

The company, which warned in August that fullyear profits would be hit by difficulties at its Canadian arm and the collapse of a business partner, said yes-

The products are related to its networking business which until recently bad been one of the group's star performers. Analysts, wbo began the year expecting ware and networking group full-year profits of about tumbling to a new 12-month falm, had cut their estimates

Microvitec reported flat pre-tax profits of £1.61m on turnover up 27 per cent to £33.8m in the first half in spite of lower sales at Sil-Com, the Canadian networking product business. It was tsrday that second-half hit by destocking by large results were "unlikely to North American computer break even due to the slower and networking companies than expected transition to and a move away from the and market acceptance of type of modules traditionally supplied by the group.



REPUBLIC OF GHANA

Privatisation of State Transport Company Limited (STC)

March South & Mandridge The government of Ghana, as part of its programme to divest state owned? companies, is inviting interested investors to submit bids for between 60% and 80%

of STC.

STC is Ghana's leading bus company with an unrivalled reputation for safety comfort & reliability. It operates long hand routes between urban centres in Ghana and international routes within West Africa.

Sokode

The and the second STC generates operating profits and has considerable potential for the profitable development of existing routes, new routes and related areas of business Ari established operator is sought to maintain the profitable growth profit and to further develop its potential.

Investors are invited to bid for STC which is available in three divisions they may be purchased separately, in total of in combination. The divisions are:

The passenger transport division which operates the buses and owns the bus depots and head office.

The bulk haulage division which operates tankers hauling petroleum products and will contain the haulage deports land and buildings. If bid for on it's own, 189% of the build hardage division may be acquired. A SOHA DITA

Land and buildings that are considered surplus to operating trequirements and which may be bid in separate lots/190% of the surplus land and buildings or individual fors can be bid for. Springer.

HAR THEKE U. O. interested investors should apply for the selling document and provide details of their business activities and turnover. The selling document contains details of STC - its assets, financial/position and markets daid information about Glana Bid requirements will also be included and the glosing date for bids to be received: Bidirequirements will also be included and the strong security and 1997. Visits to inspect STG are welcomed.

Documents can be obtained by writing to or fixing the consultants retained by the Divestiture Implementation Committee on hehalf of Government, namely.

Kwame Asanta & Associates

(Representing Anderson Worldwide in Ghana) No C734/3, Fourth Crescent Agent Down
PO Box 58, Trade Fair Centre
Accra, Ghana

Tel: +233-21-231460-1 / 228392

Fax: +233-21-231444

Roger Hughes Magna Consulting 34 Church Street Epsom, Surrey England : Tel: +44-1372-741642 Fax: +44-1372-741642



US\$1,000,000,000

Floating rate notes 1997

The notes will bear interest at 5.42188% per annum from 10 December 1996 to 10 March 1997, interest payable on 10 March 1997 will amount to US\$13.55 per US\$1,000, US\$135.55 per US\$10,000 and US\$1,355.47 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

APPOINTMENTS

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edition every Friday. For

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new product ranges".

Worms & Cie remains committed to modernising and simplifying its structures, after having successfully completed the June 1996 merger with Maison Worms & Cie.

Upon the recommendation of the Managing Partners, the Supervisory Board has recently accepted the principle of changing the Company's legal form.

Subject to approval by the Extraordinary General Meeting, to be held on June 12, 1997, Worms & Cie will cease to be a limited partnership and will become a «société anonyme» (public limited liability company) with a Management Board and Supervisory Board.

Standard & Chartered

Standard Chartered PLC

US\$400,000,000 Undated Primary Capital Floating Rate Notes (Series 3)

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 10 December 1996 to 10 June 1997, the Notes will carry interest

at the rate of 5.90 per cent per annum. Interest payable on 10 June 1997 will amount to US\$298.28 per US\$10,000 Note and US\$7,456.94 per US\$250,000 Note.

West Merchant Bank Limited



rate has been fixed at 9,2625 % P.A. Next payment date: June 06, 1997 Coupon ur; 6

Amount: FRF 468.27 for the emination of FRF 10 000 FRF 4 682.71 for the THE PRINCIPAL PAYING ALL SOCIETE GENERALE BANK & TRUST LUXEMBOURK

Bank of Ireland U.S. \$300,000,000

Date March 10, 1997 against Coupon No. 30 i US\$100,000 nominal of the Notes will be US\$1,640.63.

By: Calbord, N.A., (Corporate Agency & Trust), Agent Bonk CITTBANCO

Halifax Building Society US\$ 500,000,000 Floating rate notes September 1999

Notice is hereby given that the notes will bear interest at 5.54688% per annum from 10 December 1996 to 10 March 1997. Interest payable on 10 March 1997 will amount to US\$13.87 per US\$1,000 note, US\$138.67 per US\$10,000 note and US\$1,386.72 per US\$100,000

Agent: Morgan Guaranty Trust Company **JPMorgan**

*IRISH PERMANENT Irish Permanent

Treasury plc 000,000,000 Guaranteed floating rate notes 1997

The notes will bear interest at 6.52188% per annum for the interest period 6 December 1936 to 6 March 1997. Interest payable On 6 March 1997 will be \$160.81 per \$10,000 note and \$1,608.13 per \$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

T.I.M. (LUXEMBOURG) S.A. US\$ 20,000,000 FRN DUE 1998

in accordance with the provisions of the abovs mentioned Notes notice is hereby given as follows:

Interest period: December 9, 1995 to June 9, 1997 (182 days) Interest payment date: June 9, 1997

Interest rate: 6.08906% per annum Coupon amount payable per Bond of US\$ 100,000: US\$ 3,078.36

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BOOK SECTION ASSESSMENT والمراجع والمستوالين المعالمة The second secon

Three planned flotations cancelled By George Graham and Motoko Rich

> Three companies yesterday cancelled plans to float their shares on the London Stock Exchange, after Friday's market slide reinforced the increasingly negative sentiment of investors for new issues of small companies.

Wise Speke, the Newcastle

stockbroker, and Discovery

Inns, the pub group, both have been lethal on its own, the market, is not great right company had planned to said they had decided to pull but the sharp drop on Frinow," said Mr Andrew See- price its shares at the end of market conditions after Fri- the FT-SE 100 index mursing advisers to the Wise Speke

day's turbulent trading. industrial ceramics and spe- asm of investors who had ciality materials group, said it had postponed the £40m (\$65.6m) flotation of eight of Dusinesses

One day's trading may not nies, given where we are in utive of Discovery, said his more demanding.

a 42 per cent loss, dealt a flotation. Morgan Crucible, the further blow to the enthusialready started to vet new

COMPANIES AND FINANCE: UK

issues more carefully. The climate for small compa-

their flotations, citing weak day, which at one point left son of Beeson Gregory.

Mr Nigel Sherlock, Wise Speke's chief executive, said "It was quite evident that Holdings, its parent comite non-core engineering it was becoming quite sticky. pany, could afford to wait. Mr Paul Smith, chief exec-

price its shares at the end of last week. Institutional investors are

now looking at about 40 pending new issues, and had already started to question the market was "really the prices asked by some rather thin" and Ockham compenies. With the risk of a general market collapse brought home to them on Friday, they are now even

Bass to make US disposals

By Roderick Oram, Consumer Industries Editor

Bass said yesterday that it was seeking to dispose of its company-owned and managed Holiday Inns in North

Analysts estimated that it could receive up to \$500m from the sale, which is being negotiated with Bristol Hotel Company of Dallas. Up to 81 hotels could be included in the deal, totalling 15,000-17,500 rooms. But none are Crowne Plazas

or Holiday Inn Expresses. Bass might use the proceeds to buy small hotel chains in Europe, the Middle East or Africa to convert to Holiday Inns, where it has so far made slow progress in developing the brand.

Unlike the US, where many botel owners are keen to pay for a strong franchise, the supply of potential franchisees outside the US is more limited.

Company-owned and managed hotels in North America contributed £96m (\$157m) to Bass's operating profits in the year to September. The figure included profits from hotels owned by others which Holiday Inn managed so it was not clear how large a contribution Bass's own hotels made.

Bristol is 57 per cent owned by United/Harvey Holdings LP, a vehicle for selling limited partnerships to private investors. It has 39 hotels in the southern US of which 13 are franchised Holiday Inns.

Unipalm recreated in buy-out

By James Mackintosh

Unipalm, the world's first Internet service provider to go public, has been recreated as a trading name after a \$4.5m buy-out of UUNet Pipex's software distribution

Established in 1986, Unipalm, a UK company, listed on the main market in 1994

with a valoation of £20m. or "intranets". becoming UUNet Piper. The new Unipalm, oper-

ated by an off-the-shelf company, AwareNet, will distribute networking software, the so-called "open eystems" that allow computers to connect across the Internet and

But the name was lost when The managing director is vately financed. it was taken over by UUNet, Mark Norman, head of mar-Mr Norman,

keting at the original Unipalm, although he has most recently been working for Gandalf, the modem manufacturer. Other directors are Stephen Skilton, managing director of multimedia softwithin corporate networks and Tim Considing a former

banker. The buy-out was pri-

Mr Norman, who has taken on all 16 staff from Pipex's distribution division expects to employ double that number in six months He is also bullish about for a £10m turnover in the were developer First Option. first year, and \$20m the

Carclo shares fall 20%

Shares in Carclo Engineering Group yesterday fell by almost 20 per cent after the specialist steel and wire manufacturer issued a gloomy profits warning following "a collapse" in stainless steel prices.

The company cantioned against expectations of a from £8.2m to £7.12m rebound in stainless steel by saying that prices had failed

APT Group ______ Yr to Sup 28
Cercio Engianering ____ 6 mits to Sup 30
CRIT ______ 8 mits to Oct 31

to pick up after falling 40 per cantly below City forecasts. cent in the first helf.

The shares fell 48%p to The concern was echoed by industry analysts, many

of whom predicted small price rises next year, but between £13m-£13.5m warned that they were unlikely to regain the ground lost during 1996. Carelo. annonneing interim pre-tax profits down

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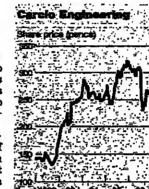
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(764)

profit (fet

The shares fell 48%p to 2021/4p. Analysis shaved this year's profits expectations by almost a quarter to against £12.8m last time. The group vowed to accel-

erate the reorganisation of its card clothing activities in Europe, where it had s £312,000 restructur (\$11.7m), warned that full-German subsidiary year figures would be signififirst half



rij	spent ng its in the	100 100 00 04 25 06 05 05 05 05 05 05 05 05 05 05 05 05 05							
*	Data of payment	Dividencie Corresponding	Total for year	Trans text year					
	Feb 10	5.93	11	10	П				
	Mex 7	3.44	•	10.75	ш				
	Jun 7	0.925	-	4.1	ш				
	Jen 23	3		7.5	1.0				
	Feb 27	0.8	1.4	1,175					
	Apr 7	1.48	2.2	2.15	ı				
	Mar 7	0.7	1.4	1	ı				
		3.B4*	6.2	5.81"	ı				
	Jan 10	4.2	•	10.8	ı				
	•	•	•	nii	l				
	Feb 5	nil .		117					

(3.32) (3.15) (124) (1078) (187) (187) Examinat shows back, Dividenate shows not, Figures in brackets showsmand capital, \$45cc shock, \$45cc shock, "After addeding for sorty bases. \$Comparatives for 12 months, *Comparatives resoluted, 194ct shapest become, \$45cc comparatives for 12 months, *Comparatives resoluted, 194ct shapest become, \$45cc comparatives for 12 months, *Comparatives resoluted.

11.8

4.83

(7.7) (1.55)

For further details contact:

RRB Wilkins Kennedy,

Flyaco House. 180 High Street.

Keith Stevens/Alan Clifton at

CONTRACTS & TENDERS



The Republic of Gabon CONCESSIONING OF THE TRANSGABONAIS RAILWAY Invitation for Expressions of Interest

The Government of the Republic of Gabon, within the context of its economic reform programme and in accordance with the Law on Privatisation of February 13th, 1996, has decided to confer the running of the "Transgabonais" railway to a private operator by means of a concession agreement, which will have a minimum duration of 20 years. The concession company will operate rail transport services for wood products, various other types of freight and passenger services, and will be responsible for the maintenance and replacement of railway equipment, rolling stock and infrastructure.

The Transgabonais Railway

Inaugurated in December 1986, the Transgabonais railway is a single-line system with a total length of about 650 kilometers. The railway annually transports approximately one million tons of logs, 175,000 passengers and 200,000 tons of various other types of freight. In addition, the Transgabonais railway receives a track usage fee from the country's main manganese mining company which operates its own transport service over the rail system with its own equipment for the shipment of roughly one and one-half million tons of ore per year.

The Government is looking for companies or consortia which have relevant technical expertise, have commercial experience in the rail transport sector, have expertise in concessions, and which have the financial resources to operate the railway. Interested parties for this railway concession are invited to express their interest in writing, either in French or English, to one of the addresses below, and to submit sufficient, relevant documentation to demonstrate their qualifications for operating the railway concession. Expressions of Interest are due by December 31, 1996.

Mercer Management Consulting and the Banque Nationale de Paris have been appointed by the Government of the Republic of Gabon to advise on the concessioning of the Transgabonais railway.

Mercer Management Consulting Project: Gabon Railways 1-3 Grosvenor Place London SW1X 7HI United Kingdom MercerFax No.: (+ 44-1) 71.245.6933

Banque Nationale de Paris **Emerging Markets Group** 1, rue Taitbout 75450 Paris Cedex 09 BNP F2x No.: (+ 33-1) 40.14.86.10

(For further information, interested parties may contact Mr. Jean-Pascal CLEDAT of BNP, Tel. No.: (+ 33-1) 40.14 .41.33)

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December 1996

INTERNATIONAL CAPITAL MARKETS

'Bottom-fishing' lifts European prices

GOVERNMENT BONDS

By Samer Iskander in London and Lisa Bransten in New York

Friday's losses, with prices of 10-year benchmark bonds rising by between % percentage points and more than a peripheral bonds converged

full percentage point. rushed to buy at lower suries were falling, reflecting prices - a practice known as a healthy underlying tone to "bottom-fishing". A recovery the market, whereas previin US bond pricas also ous convergence runs had helped underpin investors'

Analysts, however, fear

"The market seems to be focusing on a repeat of tha often sparked by overseas 1994 scenario," said Ms Phyl-sales. lis Reed, European bond

kets, as traders took profits on investments that bad benefited from tha sharp

Ms Reed admitted that market conditions are reminiscent of early 1994 - with rises in interest rates expected in several large markets.

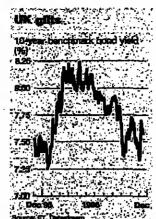
But she said she had "good European bond markets reason to believe [a global yesterday recouped most of bear market] will not happen again soon". She pointed ont that in

1996, yields in Europe's towards those of German The boost came as traders bunds, even while US Treabeen underpinned by a strong US market.

Another factor that makes the respite might be a sell-off less likely is the relative absence of foraign investors - bear markets are

BZW estimates that foreign investors currently hold In February 1994, a rise in roughly 20 per cent of exist-US interest rates led to a ing Spanisb government ence, [a widening of their global sell-off to bond mar-bonds; in 1994, this figure yield spreads over bunds], in was around the 30 per cent

> Ms Sharda Persaud, a ble to a downturn." European economist at San



Paolo Bank in London, said she believed yesterday's rise was "an understandable technical correction". Sha warned, however, that Friday's fall might have been the beginning of a

long-term [bearish] trend". "All peripheral markets could suffer from deconverg-1997," she said. "And Italian bonds are the most vulnera-UK and Irish gilts showed

Irish gilt due 2006 rose by Treasury bonds hold gains 1.08 to close at 108.73, while its UK counterpart settled % higher at 994.

Stockbrokers in Dublin sury was 1/2 stronger at 1001 pointed out that Irish gilts to yield 6.469 per cent; while had suffered more than core at the short end of the matu-European markets last week. rity spectrum the two-year done," they said.

mation, next Thursday, that consumer price inflation is the market - especially five-year maturities.

settla at 109#, as traders used the axcuse of soft in the cash market was limited, and obsarvars inflation slowed in November to a yearly rate of 2.1 per cent, its lowest level this

the strongest performances. A rise in the value of the Paribas Capital Markets in The price of the 8 per cent dollar yesterday helped US New York, said it appeared A rise in the value of the Paribas Capital Markets in made overnight in Asia and Europe.

Near midday in New York, Economists at Riada the benchmark 30-year Trea-"This looks somewhat over- note was up it at 99% yielding 5.675 per cent. The Riada predicts that confir- March 30-year bond future was # higher at 114%.

Trading was extremely below the 2 per cent mark quiet on US markets as (economists are expecting 1.8 investors waited for more to 1.9 per cent) would boost news about the direction of

the economy. Mr Alan Greenspan, Liffe's March long gilt chairman of the US Federal futures contract rose if to Reserve, rattled the market Reserve, rattled the market in Friday with remarks that were toterpreted as a sign be producer price data to justify was worried about sharp bond purchases. But activity gains to the capital markets. However, the sell-off was tempered after the Novemdescribed futures trading as, ber employment figures "technical". Producer price came in weaker than most Wall Street economists had

that investors were still digesting the meaning of Mr Greenspan's question about whether "irrational exuberance" had inflated asset

"The US session has not been able to take the market to new highs," said Mr Gilhooly. "People are concerned about the market rallying too hard."

Ha added that modest strength in the dollar helped Treasuries hold their bid. In early afternoon trading the US currency was changing hands at Y113.28 and DM1.5561 compared with Y112.90 and DM1.5464 late on

Friday. There was little in the way of important data out yesterday, but today's figures on weekly retail sales should provide some sansa of whether consumers spending will strengthen tha

Also important will be figures on producer prices and Mr Richard Gilhooly, inter-national bond strategist at tomorrow and Thursday.

CAPITAL MARKETS NEWS DIGEST

Funds bearish on domestic bonds

ar rebound

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A greater number of Japanese, UK and European fund managers plan to reduce holdings of domestic bonds than those planning to increase them, according to Merrill Lynch's latest monthly international survey. In the December survey, nearly one quarter of Japanese fund managers said they were intending to reduce their institutions' holdings in Japanese government bonds, reflecting the continued expectation that interest rates and bond yields will remain low. In contrast, one-third of managers want to buy bonds outside of Japan, with US

Treasuries being prefered.

The survey of 232 institutions, which handle funds totalling \$4,700bn, was completed before last week's comments by Mr Alan Greenspan, chairman of the Federal Reserve, led to sharp falls in international bond and equities markets. However, a balance of Japanese managers were already bearish over prospects for the US and UK equity markets in the next 12 months. And for the first time in over a year, Japanese managers are more likely to buy than to sell their domestic equities.

In the UK, managers have become more inclined to sell gilts, while investment in UK property is heavily favoured. Merrill Lynch notes: "Bears of UK gilts outnumber bulls by 13 per cent, and following the gilt rally in November managers have turned net sellers."

Continental European managers have also become net sellers of bonds inside and outside Europe. Over 90 per cent of managers expect economic activity in mainland Europe to be stronger in 1997 when compared with 1996. US managers remain very bullish about European equity markets, but are more bearish on the outlook for their domestic equities by a margin of 12 per cent. Richard Adams, Londo

Chicago exchanges add jobs

Chicago's four futures and securities exchanges have made the city a primary location for financial services employment, accounting directly for 50,000 jobs, according to a new study. The exchanges generate an additional 100,000 jobs when non-financial businesses that benefit from trading are taken into account, says the report from the Risk Management Center of Chicago and the Commercial Club of Chicago.

The study also found job growth for financial services was 13.9 per cent over the past decada, nearly double the rate of job-generation for the city as a whole. While banking employment is down nationwide, it continues to grow in Chicago. The report is an update of a study of the economic impact of the financial industry on the local economy, last issued in 1987. The study found that the exchanges are net exporters, with their products and services overwhelmingly purchased by corporations and institutions outside of the city.

Financial Markets and Financial Services in Chicago. The Risk Management Center, 2 North Riverside Plaza, Suite 1743, Chicago, IL 60606.

-- Low coupon yield -- Medium coupon yield -- High coupon yield --Dec 8 Dec 8 Yr. ago Dec 9 Dec 2 Yr. ago Dec 8 Dec 8 Yr. ago

7.39 6.92 7.61 7.68 7.85 7.74

7,33 7,68 7,70

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Deb S Dec 6 Yr. ago

2.59 2.62 1.68

7.34 6.82 7.29 7.82 7.63 7.71 7.88 7.71 7.74 7.91 7.79

Dec 8 Dec 6 Yr soc

5.28 Up to 5 yrs 3.24 3.26 2.80

Kazakhstan makes its long-awaited debut

By Conner Middelmann A handful of borrowers

yesterday bafore it slams

shut for year-end. Kazakhstan, tha central of emerging-market yield long-awaited eurobond debut was actually priced inside market for corporate borrowwith \$200m of three-year Russia," said an official. market for corporate borrowers. It also proved attractive bonds. The issue was priced US Treasuries - 5 basis points wider than the spread

sia's bonds were trading at a portion of retail accounts. braved the eurobond market spread of 353 basis points lowed the general widening

to yield 350 basis points over strong investor demand and to diversity their portfolios, one official said the transac- the country's wealth of natuat which Russia's recent subscribed. He said 20 per ing economic fundamentals, cent of the issue went to Asian investors, 40 per cent an annual inflation rate of gross domestic product fell

ABN Amro Hoare Govett, to the US and the rest to the lead manager, pointed Europe. Buyers included out as the Kazakh transac- mainly specialist emergingtion was launched that Rus- markat funds and a small Observers said the deal

over Treasuries. This fol- benefited from its rarity appeal - the government does not need the money and Asian republic, made its spreads late last week. "So it is using the issue to open the ABN Amro raported because of investors' desire tion was about three times ral resources and its improv-Official forecasts are for

New international bond issues The post age 8.25# 99.872R Dec 1999 1.00R Zero 68.44 Dec 2001 2.50 (b1) 99.883R Undeted 0.75R Republic of Kezakhstan MBI Finance(a)§ Societé Générale(b)‡ 200 218 MBI Finance(a)\$ 218 Zero 68.44 Dec 2001 2.50 - Jardine Fleming
Société Générale(b)‡ 80 (b1) 99.883R Undered 0.75R - (c2)

European Investment Bank‡ 1000 (c.s) 99.95R Jun 2004 0.05R - (c1)

Final terms, non-taliable unless stated. Yield spreed (over relevant government bond) at launch supplied by leaf manager. Free terms, non-catable unless stated. Yield spreed (over relevant government bond) at bunch aupplied by leaf manager. Sonvertible. ‡ Floating-rate note, #Semi-arrusi coupon. R: Pixed re-offer price; fees shown at re-offer feed, a) Exchangeable into Metropositan Bank & Trust Co shares at 670 pesos, FX: 28.295 pesos/S. Callable from 18/12/39, subject to 140% hurdle, at 100%. b) Fungible with \$250m. Pixe 69 days accrued. Callable from Oct 06 at per. b1) 3-mith Libor +62/4bp to Oct 06, then +200bp. b2] Joint book-numers: Bear Steams, Morgan Stanley and SocGen. c) 3-mith Libor -30bp. C1) Joint book-numers: BCI, BNL, Carlpio, Credito Italiano, Deutsche Morgan Grenfell, IMI Bank (Luci, Sen Paolo and Je Morgan. s) Short 1st coupon

down from an estimated 30 per cent this year, 60 per cent in 1995 and 1,200 per cent in 1994. Moreover, the economy is expected to grow for first time since the country gained its independence

about 17.5 per cent in 1997. 8.5 per cent in 1995 and 25 equally and not inviting a per cent in 1994. from the former Soviet club deal - with eight book-Union five years ago. Its

Bank, the biggest borrower in the Italian lira market. issued L1.000hn of eight-year floating-rate notes. Executed as a so-called

runners, mostly Italian banks, splitting the issue

Up to 5 years (21)

5-15 years (19) Over 15 years (7) Irredeemables (6)

8 Up to 5 years (2) 202,89

FTSE Actuaries Govt. Securities

120.79

148,97 168,29 191,09 143,48

Mon Day's Fri Dec S change % Dec 8

1.03 0.17 0.57

0.12 202,64

120.48

147.45 166.58 190.76 142.67

er cent in 1994. syndicate group – a portion.
The European Investment of the bonds has been placed. with Italian institutions. The rest is expected to be sold to domestic retail inves-

tors through the underwriters' branch networks. The notes pay a spread of 281/4 basis points over Libor at the re-offer price.

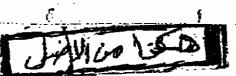
1.12

9,44 5 yrs 11,66 15 yrs 11,85 20 yrs 13,47 fred.†

WORLD BO	ND PI	RICES													
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Belgium	5.875 7.000	07/06 05/08	107,7600	+0.590	5.90	5.71 5.77	6.09 6.13	10150	0.12	0.43			85 1.16		2.38
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OAT	6.500	10/06	105,7300	+0.630	5.73	5.62	5.99	Italy							
Germany Bund	6.250	04/06	103,3700	+0.700	5.77	5.65	6.01		HONAL ITAL Fe' Lire 200			(BIS) En	TURES		
ireland italy	8.000 9.500	08/06	108,7300	+1,080	6.74 7.44†	6.51 7.50	8.20	, , , , , , , , , , , , , , , , , , ,				10-1	Laur		LA
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No 182		09/05	104.2413	+0.410	2.42	2.35	2.66	Jun	127.75	128.1		127.95	127.90	100	365
Netherlands Portugal	8.500 9.500	02/08	118,5100 116,7500	+0.700	5.76	5.80 6.96	5.94 7.55		AN GOVT. BO						
Spain	8.800	04/06	111,3500	-	7.00	6.94	7.83	Strike			ALLS —	11010		PUTS -	19074
Sweden	6.000	02/05	95.1368	+0.470	6.79	6.85	7.23	Price		Mar	Ju	1	Mar	PUIS -	Jun
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	8.000	10/08	110-15	+33/32	7.64	7.42	7.68	12900		1.85	2.4		2.11		3.31
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MARKETS REPORT

markets as traders reas-

day night by Mr Alan Green-

span, chairman of the

by warning that "irrational

exuberance" could inflate

asset prices. But this week-

end various policymakers

sought to dampen the effect

of his comments. Currency

that Mr Greenspan's warn-

ing should boost the dollar,

as it raised prospects of

interest rate hikes.

Mr Carl Wainberg, chief economist at High Fre-

quency Economics in New

York, said yesterday: "We

had an irrational wobble on

Friday, and people moved

The dollar and the D-Mark

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back into the dollar today."

both rose against the Swiss

strategists said yesterday

Mr Greenspan had hit

By Simon Kuper

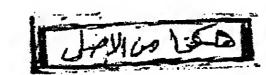
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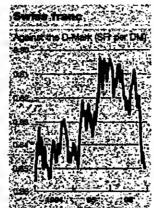
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CURRENCIES AND MONEY Dollar rebounds as Greenspan remarks fade

franc, as the Swiss National hardly moved by any UK Bank welcomed the franc's news. Traders largely recent slide, and said it had shrugged off UK input price agreed with the government data showing weak inflation-The dollar recovered to keep monetary policy ary pressures. The pound yesterday with world asset easy. News that Swiss gross also rose half a cent against domestic product fell more the dollar to \$1.647.

sessed comments on Thurs- than expected in the third The continental European currencies were fairly stable The dollar rebounded 1.7 against one another, Traders plennigs against the D-Mark, were sitting tight waiting for Mr Greenspan had hit closing in London at news on a stability pact for stocks, bonds and the dollar DM1.557. It gained Y0.7 European monetary union, against the yen to Y118.4, which European Union leadand rose from SFr1.306 to ers are now negotiating. The SFr1.328 against the Swiss German Chancellor Helmut franc. The Swissie closed at Kohl said after meeting the a 30-month low of SFr0.853 French president Jacques Chirac yesterday that nei-Sterling rose in the dolther Germany nor France lar's wake, but as usual its intended the euro - the movements were more planned singla European extreme than those of the US currency - to be weak. currency. It scared 3.5 pfen- French leaders had seemed nigs against tha D-Mark to to be calling for a soft euro DM2.564, even though it was

against the dollar. ■ Mr Mike Wallace, senior currency economist at MMS International, said the market's volatility in recent increasingly erratic movedays, with the pound and ments through the rest of



sharply than in previous months, may be doe to traders becoming less active as Christmas nears.

With fewer prices being offered and fewer deals mada, any ona transaction can mova a currency sharply. Thus sterling jumped despite little British news. "We're looking for dollar moving far more the year," Mr Wallace said.

DOLLAR SPOT FORM

\$2.1050 +0.38 900 - 200 5.9568 +0.0578 578 - 568 4.6803 +0.0526 565 - 840 5.2590 +0.0611 562 - 597

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Austria Beigium Denmerk Finland

France Germeny Greace Ireland Italy Lusemb Norway Portugal

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■ All 21 economists polled hikes on the medium term. tomorrow with Mr Eddie per cent today. George, governor of the Bank of England.

sterling futures contracts for ket of curreccies si December still price in a 25 August. Mr David Wal basis point rate hike this month, although holders of in London, said yestere the contracts should not

Yesterday's weak input price data led the money markets to expect fewer

I OTHER CURRENCIES

32,045 5,9499 4,6515

32.045 1.7425 6.4941 157,34

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2.2 31.9175 2.6 1.7345 0.7 6.4865 -1.8 157.635

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by Reuters this week said Mr Short sterling futures con-Kenneth Clarke, the UK tracts for September 1997 chancellor, would leave base rose 11 basis points and now rates unchanged following price in base rates of about 7 his monetary policy meeting per cent, compared with 6

The Office for National Statistics said input prices But the economists had fell mainly because of sterbeen almost as unanimous ling's autumn surge. Even in October in insisting that after last week's slide, the Mr Clarke would not raise pound has gained 10 per cent rates then. He did. Short against a trade weighted baseconomist at Goldman Sa "The beneficial effects come unstuck if the hike stronger exchange rate occurs in January instead. more widely in com

months." On the long term low is tion should help sterl But it could initially wea the pound, by deoting ex tations of rate rises.

 For the latest market update, ring FT Cityline +44 990 209909 To subecribe, call +44 171 873 43

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D-Mark			250 3	1. · 3.	316 - 316 316 - 233	34 35	3
Dutch Guilde French Fran		· 212 213 - 314 313	- 213 3 - 35 3	· 앱	31 31	312 · 313 312 · 313	3
Portuguese		· 612 6	61. 6	12 - 32 12 - 63	616 - 612	6 6	6
Spanish Pes	eta 73	- 632 633	- 643 6	1 61	643 - 63	64 60	~
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Can. Dollar		· 2% 3 8	212	3.2	34 34	3.6 - 3.6	3
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Short term ra	des are co	for the US	Dollar an	d Yen, oth	ers. two da	rs' nutice.	
I THREE							_
Dec	Open 96.55	Sett price 96.55	+0 04	High 96.57	Low 96.54	Est. vol 7,078	9
Max	96.57	96.59	+0.05	96.61	96.56	10,723	i
Jun	98.53	96.55	+0.07	96.57	96.52	3,010	
I THREE			-				
	Open	Sett price			Low	Est. vol	6
Dec	96.77	96.76		96.78	96.76	6674	1
Mar	98.85	96.84		96.86	96.84	17109	2
Jun	96.78	96.79	+0.04	95.79	96.76	12635	1
Sep	96.66	96.68	+0.06	96.68	96.65	12258	1
ONE M	MTH St	ROMARK	FUTUR	LIFFE)* DAt3m	conts of 10	0"
	Ореп	Sett price	Change		Low	Est vol	0
Dec	96.71	96.71		96.71	96.71	215	
Jan Feb	96.90	96.90 96.90	+0.01	96.91	96.90	203	
Mar	90'90	96.88	+0.02	96.90	96.90	109 D	
THREE	HTHOM			RES (LIFE	El: L1000		10
	Open	Sett pace	Change	High	Low	Est. vol	~
Dec	92.87	92.96	+0.02	92.87	92 82	7491	
Mar	93.59	93.60	+0.08	93.60	93.56	8926	
Jun	93.90	93.94	+0.09	93.94	93.88	2866	
Sep	94.05	94.07	+0.09	94 07	94,03	2626	
N THINEE M	_	_					_
		Sett price	-	-	Low	Est. vol	
Dec	97.81	97 79	-0.03	97.82	97.77	1584	
Mar	97,89	97.86	-0.D4	97,90	97.84	5059	
Jun Com	87.80 97.80	97.78	-0.02	97.81	97.76	1603	
Şep El Three i		87.51 FIROVE	EXTERNIS	87.62 188 A 188	87.59 3 Y100m :	294 Whats of 10	n
		Sett price			Low	Est. vol	_
Dec	99.49	99.49	+0.01	89.49	99.48	1	-,
Mar	99,45	99.45	+0.01	99,45	99.45	25	
Jun	99.34	99,34	+0.D1	99.34	99.34	70	
THREE,	MONTH	ECU FUT	DRES (LI	FFE) Ecu	m points	of 100%	
	Open	Sett price	Change	Hagh	Low	Est, vol	O
Dec	95.B4	95,84	+0.02	95.85	B5.84	431	
Mar	95.90	95.91	+0.04	96.91	95,89	579	
Jun .	95.90	95,92	+ 0 ,D6	95.81	95.90	137	
Sep	95.86	95.88	+0.07	95.88	95,86	329	
			E) L1000	m points	of 100%		
EUROLH						PUTS -	_
EUROLE Strike		CAL	LS				
EUROLE	Dec		_	Jean	Dec	Mer	
EUROLH Shike	Dec 0.14			Jun 28	Dec 0.03	Q.DB	
EUROLE Strike Price		Me	1 1				0

U.S. \$125,000,000

Colleteralized Floating Rate Notes Series A due December 1997

In accordance with the provisions of the Notes, notice is hereby given that for the three month interest Poriod from December 10, 1996 to March 10, 1997 the Notes will carry an interest Rate of 3,3,75% per annum. The interest payment date, March 10, 1997 will be U.S. \$1,484.38 per U.S. \$100,000 principal amount of Notes.

By: The Chare Manhatten Bank London, Principal Paying Agent

December 10, 1996

GREAT LAKES FEDERAL SONINGS

OCHASE

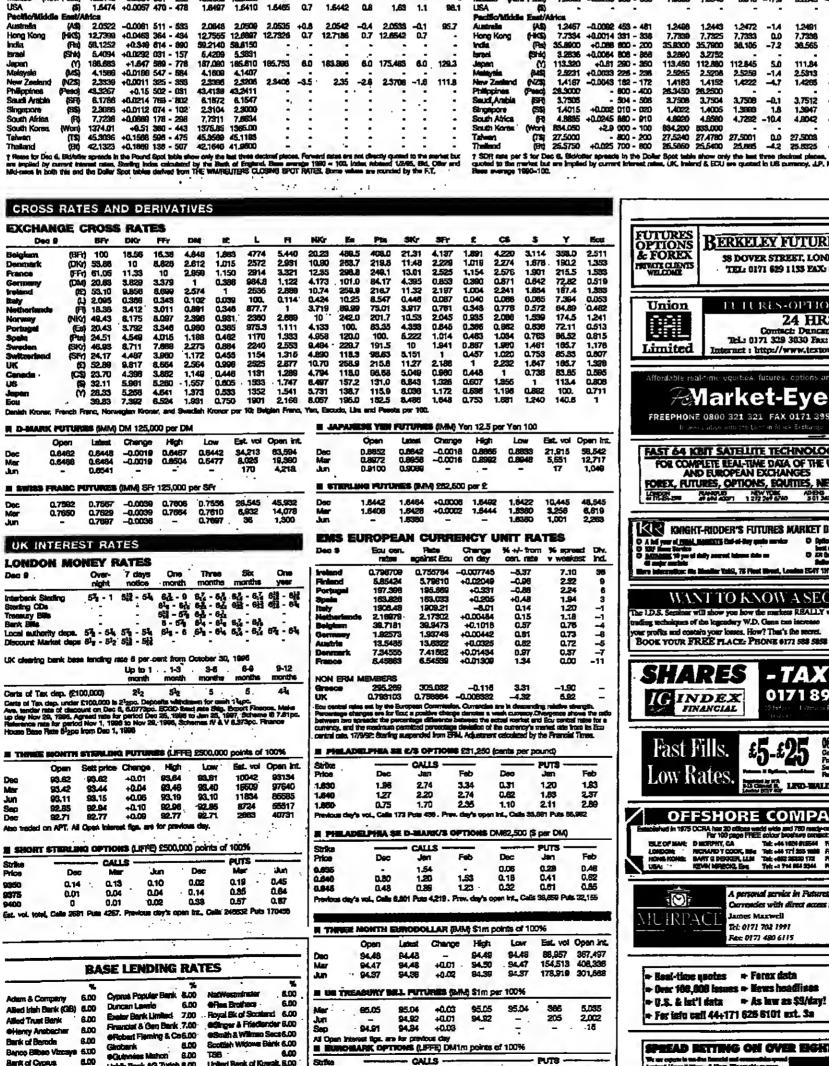
WORLD INTEREST RATES

214 5!2

4) 3)

MONEY RATES

SDR United Da



ALEFFE) DM1m points of 100%

0.18 0.65 0.01

0.02 0.03 0.24 0.19 0.49 0.41

0.24 0.47

0.19 0.41

0.35 0.50

0.52 0.66

Feb

0.14 0.03 0

0.31

Est, vol. total, Calis & Puts Q. Previous disy's open int., Calis 7311 Puts 3670



Weekly Petroleum Argus

Petroleum Argus



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Jeremy Nelson Tel: 0171.873-3447 Fax: 0171-873-3062

COMMODITIES AND AGRICULTURE

supply hit oil Mexico's peasant coffee farmers are better known for social revolution than inforfuture prices

MARKETS REPORT By Peter John

and Kenneth Gooding

Oil futures traded lower yesterday as the market fretted about additional supply in the wake of Irac's oil-forfood deal with the UN.

Mr Boutros Boutros-Ghali, UN secretary-general, gave final approval for Iraq's partial return to the world oil stage. Iraq was also already pushing for the quota to be doubled.

January Brent crude was quoted as low as \$23.85 in late afternoon trading in London, down some 70 cents on Friday's close and below a \$24 support level. By 6pm. January stocks had rallied to \$23.92. Heating oil and gasoline were down by between

\$1.00 and \$1.25 a gallon. Ssveral analysts were sceptical about the effect on prices of Irag's \$2bn deal wbicb will add between 500,000 and 600,000 barrels a from Friday. Dealers said risday at current prices. They pointed out that while technically fraq could begin to export today, it was unlikely to be moving supplies for several days because of tech-

nical problems. They also pointed out that a boost to supply from Iraq related surges in demand at a time when stocks are low. Also, there was some relief

from the ending of a nineday strike at Elf Aquitaine's Donges refinery in western services group, says in his France, and concerns about latest report: "There are a possible strike in Colombia

faded away. Tin prices dropped to their lowest level for 11/4 years on the London Metal Exchange. Selling by the Chinese ahead of the year-end was one likely reason for the fall, which started to become

COMMODITIES PRICES

apparent on Friday, according to Mr William Adams. analyst at Rudolf Wolff, the Noranda subsidiary.

"Low tin prices bave deterred sales for most of the year but the market's failure to pick up sufficiently to absorb export sales may oow be leading to distress selling in order for the Chinese to make up their export quotas," he suggested.

China needs to meet this year's quota, fixed by agreement with other international producers, to be sure of being awarded a similar tonnage in 1997.

Tin for delivery in three months dropped to \$5.810 a tonne at one point before recovering slightly in late trading to \$5,840, down \$180 from Friday's close.

In relatively thin trading, lead prices oo the LME also weakened, touching their lowest for 13 months. After falling to \$666 a tonne, lead closed at \$666.50, down \$13.50 ing LME stocks were weighing lead down.

On the London bullion market platinum prices sank to a three-year low of \$368 a troy ounce amid rumours that investment funds were selling and so were the Russians, who were intent on filling export quotas for this year. Platinum closed in London at \$368.30, down

\$1.45 an ounce from Friday. Mr Ted Arnold, analyst at the Merrill Lynch financial more than ample aboveground stocks of platinum for consumers at present, Production is rising steadily in South Africa, not falling away. Scrap recovery continues to go strongly ahead and Russian sales are unlikely to

E GOLD COMEX (100 Troy oz.; \$/troy oz.)

372.2 -2.6 373.5 371.5 1,869 9,717 374.9 -2.6 376.5 375.0 202 1,983 377.6 -2.6 379.0 378.5 32 990

117.70 +1.65 1.77.10 117.10 38 658 119.40 +1.65 120.00 117.75 311 7.284

474.7 +0.4 477.0 474.8 148 688 475.8 +0.4 475.5 475.5 4 24 480.7 +0.2 480.0 478.0 16,170 57,775 485.0 +0.2 481.0 478.0 128 9,331 489.3 +0.2 491.5 490.5 30 8,332 493.8 +0.2 504.0 496.5 118 3,020 16,848 85,700

M PALLADRUM NYMEX (100 Troy oz.; \$/troy oz.)

SILVER COMEX (5,000 Tray oz.; Cente/tray oz.)

CRUDE OIL NYMEX (1,000 barrels. \$/barrel)

24,80 -0.42 24,99 24,45 23,935 58,510 23,98 -0.40 24,20 23,88 0,841 28,475 23,40 -0.39 23,58 23,30 1,829 19,970 22,85 -0.42 23,17 22,80 3,058 15,181

68.40 -1.18 68.15 88.00 2.066 13.555 64.40 -0.93 65.00 64.50 692 8.647 61.60 -0.63 61.60 61.20 91 4.249 59.45 -0.73 59.65 59.25 120 5.195

215.50 -8.50 224.00 215.80 8,896 15.012 216.75 -7.25 224.50 216.50 12,494 28,781 212.00 -5.25 217.25 212.00 3,174 11,152

205.00 -2.00 206.00 204.50 1,186 7,716 197.25 -0.50 199.50 197.00 794 5,153 191.75 -0.50 193.90 191.50 123 2,871

ENERGY

E CRUDE OIL IPE (\$/barrel)

Worries over High-tech help for coffee growers

mation revolution. But buffeted by see-saw prices, they are joining the electronic age in the hopa that better knowledge of the market will raise their incomes and protect them against unscrupulous local middle men.

A huge satellita dish adorning tha roof of the coffee growers' co-operative on the edge of the small town of Comitan, in the southern state of Chianas, bears witness to how far the information revolution has spread into this traditionally remote and backward region.

The dish's high-technology presence contrasts starkly with the surrounding poverty and illiteracy which havs proved fertile ground for the Zapatista guerrillas.

The co-operative, called Uncafesur, has a membership of more than 1,300 families, from whom it buys coffee. It prepares the coffee for export and sells it to Europe and North America.

One of tha co-operative's biggest customers is the British company CafeDirect, which operates on the "fair trade" principle of cutting out local and international middle men and returning the saving, or premium, to the growers.

Bnt ensuring that coffee growers actually receiva a fair deal depends on the quality of market informa-Ms Olga van der Valk, a

Dutch woman who works for Hida, Twin Trading's coffee Uncafesur and is married to expert, the bulletin concen-



Arturo Jimenez Hernandez, coffee grower and co-operative leader, inspects the crop

tion is the most serious barrier to getting a good price

The satellite dish installed last year pulls down signals from a company called Best Investment, in Guatemala City. With software supplied by Best Investment, Uncafesur can follow real-time New York coffee prices.

This immediate information is supplemented by a fortnightly market report Trading, a fair trade commodities dealer in London, which supplies Cafe Direct. Written by Mr Richard

trends to provide a context stand what's out there," said for the sometimes bewildering figures jumping across Uncafesur's screen. Mr Hide, a former City coffee trader, tries to explain

variations between New York world prices and the local prices farmers receive. Reliable information is especially important for coffee producers. Coffee is one faxed to Uncafesur by Twin of the few main crops grown mainly by small farmers.

the meaning of key figures

such as differentials - the

The eod of price regulation under the International Coffee Agreement in 1990 left farmers exposed to wild mar-

ter able to bide their time.

Mr Hide. "With the basics of farming know-how, quality control and market information, coffee producers can be as sophisticated as other people in coffee trading." The Chiapas experiance

bears out his judgment. Armed with better information, farmers have begun to time sales more astutely. Instead of selling at the beginning of the harvest in November or December, when they are often desperate for cash, farmers are bet-

Knowing that Uncafesur can find foreign buyers at "They're starting to under- ers are also breaking the old

habit of selling at the height of the harvest in February, when prices are low.

This year, for the first time, farmers did not want their coffee to be sold immediately after delivery to Uncafesur. Instead, they left instructions to sell when the market was good.

Uncafesar's trading has become a reference for the region. Mr Arturo Jimenez Hernandez, a Chiapas coffee farmer and co-operative leader, said: "We have raised awareness of prices. Producers often didn't know what their coffee was worth."

That was a serious deficiency for families whose precarious earnings of, perhaps, \$1,000 a year from coffee were much their most important source of cash.

But there is still a long way to go. Mr Jose Juarez Varela, a Uncafesur adminis trator, said: "Half our membership can't read or write. It takes half a day to explain anything to them."
The satellite dish not with-

standing, Chiapas remains an inaccessibla region. A meeting with farmers in the remote mountain co-operative of Kulaktik had to be translated into Spanish from the pre-Columbian Tzeltal language spoken by the indigenous population.

One speaker, clad in the traditional pointed black hat and brightly coloured waistcoat, thanked his visitors for making tha journey and said: "We couldn't come to where you come from or .how to get there."

Michael Prest

Ukraine sees fall in sugar production

By Matthew Kaminski

Ukraine's sugar production this year will be at least o fifth below 1995 levels, as the agriculture economy continues to stagnate.

1000年

8".. 🗠

The ex-Soviet Union's only the region's bread basket. expects sugar output of 28m tonnes m 1996, down from 3.5m tonnes last year. according to UkrTsukr, the state sugar concerb.

A western sugar trading company suggests produc-2.6m tonnes. Ukrainian agricultural statistics tend to over-estimate output.

The fall in production and trade sanctions recently imposed by Russia, the biggest singlo foreign buyer, have already dampened

Ukrainian sugar exports.

The statistics ministry this week said sugar exports in the first nine months of 1996 were 291,000 tonnes, less than half the 635,000 tonnes registered last year.

"For the sugar industry. this year is a catastrophe. They've even been quite lucky that the winter did not come so soon - it could have been worse," a Paris-based sugar trader said.

The drop reflects lingering economic problems within the unreformed agricultural sector, where collective farms have only slowly been broken up, as well as a onemonth delay this year in planting sugar beet after a

colder than usual winter. Refineries' liquidity problems have prevented them from securing energy and beet supplies this year while the financially-strapped government in Kiev held back from handing out subsidies. Nearly half the refineries have not finished processing

and 20 plan to continue work

Vietnam in four-year deal to sell rice to Iraq

877 877 117 377 940 930 1,904 49,646 955 948 251 17,023 371 965 43 12,569 987 980 334 7,714

+7 1336 1330 5 55 -15 1382 1373 3,734 39,636 -13 1404 1396 547 11,049 -14 1424 1418 248 7,358 -15 1445 1438 100 6,636 -15 1457 1465 132 1,328

-8 1328 1301 2,013 18,137 -8 1259 1231 2,947 18,605 -8 1219 1198 1,037 6,532

.E COFFEE 'C' CSCE (37.500lbs; cents/lbs)

COFFEE (ICO) (US cents/pound)

113.10 +1.35 114.50 112.50 218 903 165.60 +2.35 167.20 163.79 8,032 15.321 163.35 +2.20 164.50 161.50 1,948 5,676

102.15 +1.80 102.80 100.30 493 1,725 100.80 +1.80 100.80 99.10 489 1,166 99.15 +1.40 101.00 98.50 362 809 12.30 25.700

297.0 -1.9 300.2 297.8 935 16,557 297.7 -1.7 299.7 297.5 212 5,180 299.3 -1.3 301.0 259.5 160 2,542 296.5 -1.1 298.0 256.9 30 1,749 298.7 -1.1 297.6 297.2 25 531 298.8 -1.9 301.1 300.9 10 377

10.30 -0.10 10.43 10.30 5,658 78,735 10.45 -0.07 10.63 10.45 1,246 30,545 10.45 -0.02 10.48 10.44 787 20,912 10.50 - 10.53 10.50 10.55 10.55 17 3,735 18.54 +0.01 10.47 10.47 14 835

76.30 +0.19 76.50 75.75 4,71 25,808 77.40 +0.31 77.50 76.85 857 10,316 78.20 +0.18 72.25 77.00 379 7.558 77.50 +0.18 77.85 77.85 10 1,231 77.45 +0.19 77.50 77.10 499 8,321 78.30 - 78.45 78.30 46 327

96.30 -5.00 100.70 96.30 136 2,929 98.55 -5.00 103.00 98.55 9 638 100.80 -4.75 105.50 101.50 - 256

4,114147,907

8.448 54.04T

■ SUGAR "11" CSCE (112,000lbs; cents/lbs)

COTTON NYCE (50,000lbs; cents/fbs)

■ ORANGE JUICE NYCE (15,000fbs; certs/fbs)

1192 101 1,318 1192 89 750 1200 12 509

By Jeremy Grant

Iraq has agreed to buy about 300,000 tonnes of rice a year for the next four years from Vietnam under a memorandum of understanding that also provides for Vietnamese sales of about 65,000 tonnes of tea to

Baghdad, according to local news-

Hanoi regularly sends shipments of rice to Iraq in repayment for oilrelated debts incurred in the late 1970s and early 1980s but the latest agreement is significant in that it involves sales.

Vietnam has said It expects to

COCOA LIFTE (E/torme

■ COCOA (ICCO) (SDR's/tonne)

B COFFEE LIFFE (S/tonne)

Dec Mar May Joi Sep Dec Total

export 3m tonnes of rice this year, a 40 per cent increase on last year's

However, it was not clear bow much of the yearly figure would be bought by Baghdad and bow much would change hands under existing barter arrangements.

The Iraqi minister of trade, Mr

MEAT AND LIVESTOCK

II LIVE CATTLE CME (40,000lbs; canta/lbs)

55.525 +0.1 65.675 65.025 7.633 15,000 62,500 62,300 8,981 31,742 64.575 -0.025 64,750 64.150 3,842 20,218 82,800 -0.05 63.000 62.525 1,282 8,584

62 525 +0.15 62 625 62 200 437 7 641

59.500 +0.575 59.550 58.600 3.824 8.266

72.750 +0.825 72.800 71.900 491 5,033 75.500 +0.275 75.650 74.950 445 5,035

72.675 +0.2 72.700 72.075 93 1.337 68.600 +0.3 58.600 68.350 56 882

PORK BELLIES CME (40,000/bs; cents/lbs)

LONDON TRADED OPTIONS

125 129 69 90 33 60

\$24.15-4.10 \$23.92-3.98

\$116-118 \$229-231 \$248-250

\$233-234

21.00-21.90 don (0171) 359 8792

\$117.00

116.0c

45.00c 14.91r

272.50

108,290

136.03p 87.89p

\$258.50 \$304.80

Unq 127.0

80.50p 80.50p 316.5x

495.0 195.0 78.55

-4.72

Strike price \$ torme - Calls - - Puts -

M ALLIMONDIM

■ COPPER

Heavy Fuel Oil Nephtha Jet fuel

Gold (per troy cz)&

Lead (US prod.)

Tin (Kuala Lumpur) Tin (New York)

Cattle (live weight) Sheep (live weight) Pigs (live weight))

Lon. day sugar (raw) Lon. day sugar (wto

Barlay (Eng. feed) Maiza (US No3 Yallow) Wheet (US Dark North Pubber (Jen)♥ Pubber (Feb)♥

Rubber (KL RSS No1)

Cotton Outlook A' Index

Coconut Oil (Phill)§

Copra (Pril)§ Soyabeans (US)

Silver (per troy oz).

Olesel \$233-2 E NATURAL GAS (Pence/them)

8.112 36,767

Mohamed Mahdi Saleh, also agreed with his Vietnamese counterpart on the establishment of a joint venture rice growing project, the Saigon Times Daily said.

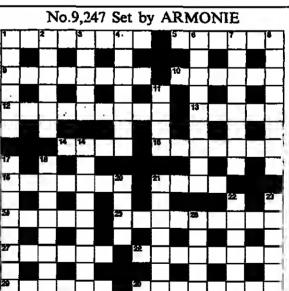
The newspaper said Mr Saleh bad told Vietnam that he hoped Hanoi would participate in the UN-supervised oil-for-food tender programme.

JOTTER PAD

The game of Skill, Judgement and Nerve

The amount of the first annual salary for M.Ps (Spread £20) Yesterdays answer: Telephone 07000 782080 208 bones

CROSSWORD



1 Stop believer harbouring having accepted conclusion An instrument that introduces a nursery rhyme

3 Marshal kept fifty pounds for a girl (5) 9 A sboot embodies the whole vegetable (8)

10 A love to be in residence on That's wearing! (7) 6 Fellow making shoe to put board ship (6) Gosh! Being buried in the beach is the worst aspect 7 I give you old mineral in a

13 One in a flight coming from Paris erelong (5) 14 This type of malady is uncertain with the onset unseen (4) interrupts the news (7)

17 Waterproof material remains in pitch (8) 19 Throw essayist a flower (7) 21 A lot of money for a plant 18 Tease Ben unmercifully for (4) being a deserter (8)
24 Foreigner is married in 20 Performs on stage, appear-Kent (5) 25 Hose vessel in an awkward 21 Journey overseas playing

situation (5.4)
27 Popular bird to keep in confinement (6)
28 Dismal grant is form of
27 Popular bird to keep in confinement (6)
28 Dismal grant is form of
28 The condition of being sus-

cheerless environment (6)
Insolvent is angry with
humanitarian bumanitarian organisation

picions about shoddy goods

ing after John (4)

2 Motorists in endless.

8 Tart cooked in service can-

11 An aptitude to be dishonest

15 God eats ancient royal

the retired (8)

plant (6,3)

teen provides support for

on (6.3)

Solution to Saturday's prize puzzle on Saturday December Solution to yesterday's prize puzzle on Monday December

BASE METALS LONDON METAL EXCHANGE Prices from Amelgameted Metal Trading) B ALUMINIUM, 98.7 PURITY (\$ per tonne) Open int. Total daily turnover 249,138 49,401 IK ALUMINIUM ALLOY (\$ per torme)

High/low AM Official 1325-30 LEAD (\$ per tonne) Close Previous High/low AM Official 661.5-2.5 674-5 660 660-0.5 676/666 666.5-9.0 Kerb close Open int. Total daily turnover 666-7 39,473 6,892 MICKEL (\$ per tonne) 6745-55

High/low AM Official ■ TiN (5 per tonne) Close Previous High/low AM Official Kerb close 6005-15 15.611 Open int. Total daily tumqver ZINC, special high grade (5 per tonne) 1019,5-20.5 1044-45 1042-5-43 High/low 1019-20 Kerb close Open int. Total delly tamover

E COPPER, grade A (5 per torme) 2318-23 2135-36 2307-9 LME Closing £/\$ rate: 1.8478

29,999

IN HIGH GRADE COPPER (COMES)

Spot: 1.6482 3 mites: 1.6450 6 polles: 1.6407 9 miles: 1.6360

	Sett	Day's				Орея
		change		LOW	Vol	int
Dec	103.16	-1,80	104.80	103.00	1,266	7,023
Jan	101.50	-1.45	102.40	101.25	138	6.327
feb				99.80		
Mor	98.60	-1.45	100.10	98.25	7.125	24,925
Apr				96.90		848
May	95.10	-1.35	96.30	94,75	578	4,585
Total	44		•••		9.374	61,015
ICLE					2,017	dr'n 19

PRECIOUS METALS

Gold(Troy 02)		S edmja	SFr equiv
Close			
Opening			
Morning fix	368.50	223.944	487,157
Afternoon fix	369.00	224,112	488,482
Day's High	369,10-369,50		
Day's Low	368,20-368,69		
Previous close			
Loco Ldn Me	an Gold Lend	One Rate	Ns USS
1 month			
2 months			

476.50 482.30

490.95

MI NATURAL GAS KYMEX (10,000 mmBill: S/mmBill) 3.245 -0.242 3.380 9.100 21.304 38.318 3.025 -0.161 3.130 2.980 7.042 22,750 2,715 -0.065 2,770 2,680 2,231 14,506 2380 -0.040 2380 2330 1,173 8,244 2340 -0.035 2280 2200 544 7,120 2240 -0.035 2280 2290 544 7,120 2170 -0.035 2100 2180 339 5,654

68.30 -1.50 69.75 67.00 15,298 31,070 67.65 -1.26 68.40 67.40 5,346 12,268 67.55 -1.06 68.30 67.20 951 8,209 69.30 -0.81 69.70 68.80 436 4,036 WHEAT LIFFE (2 per tonne)

Precious Metals continued GRAINS AND OIL SEEDS 95.70 -1.00 94.65 94.10 33 1.451 95.70 -1.00 96.50 95.70 71 2.127 97.30 -0.90 97.90 97.20 227 2.363 98.50 -1.00 98.00 98.00 30 318 92.50 -0.50 - 2 368.0 -1.1 369.3 367.9 430 857 369.7 -1.1 371.1 369.6 41,725 93,385 639 21,486 732 15,448 25 5,442 378.6 -1.2 378.5 378.5 397 2,351 94.50 -0.50 95.00 95.00 WHEAT CET (5,000bu min; cente/60b bushel) PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) 370.2 -26 3715 3700 3654 17 096

Dec 390.00 -1.00 383.00 387.00 484 1,334

Mar 374.25 -5.50 380.00 373.75 8,126 33,672

Mary 351.50 -5.00 357.90 351.00 882 8,189

Jul 330.50 -2.50 334.50 330.50 1,656 16,615 335.50 -1.00 336.00 336.00 24 736 345.50 -1.50 348.00 345.50 102 440 10,991 58,988 MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec 296.75 -0.50 270.25 298.50 5.825 20.393

Mar 264.50 -1.50 257.75 264.25 27.799140.745

May 267.25 -2.00 270.50 266.75 6.167 52.393

Jul 268.25 -2.75 272.25 298.00 4.640 50.189

Sop 262.25 -3.25 266.00 262.00 245 5.768

Dec 261.00 -3.50 265.00 260.75 1.880 34.446 15 486 22 220 10 130 - 1 92.00 - 92.00 92.00 93.25 - 93.25 93.20 94.25 - - -92.75 -0.25 - -94.75 -0.25 94.50 94.50

SOYABEANS CET (5,000bu pair; contartillo bushel) 698.75 -7.25 699.00 688.00 28,192 57,818 683.75 -825 694.50 683.00 8,996 39,506 682.00 -8 692.00 681.25 1,365 22,932 681.50 -0 683.00 681.00 3,663 21,282 681.00 -7.5 688.75 680.00 62 2,700 670.00 -3.50 873.50 673.50 27 341 SOYABEAN OIL CBT (80,000fbs; cents/fb)

23.13 -0.04 23.31 23.11 8,714 4,210 23.33 -0.04 23.54 23.00 15,736 32,973 23.88 -0.04 23.89 23.66 7,526 26,154 23.95 -0.05 24.14 23.94 1,661 13,790 24.18 -0.09 24.34 24.15 1,084 8,602 24.20 -0.06 24.37 24.35 532 1,740 36,081 92,516 SOYABEAN MEAL CST (100 tons; \$/ton) 230.3 -2.9 233.5 230.2 1,734 8,282 219.1 -3.5 223.0 219.0 8,205 25,278 212.2 -3.8 216.8 212.3 4,912 24,804 208.9 -3.3 213.5 209.0 2518 13,598 207.7 -3.4 211.8 208.0 234 8,837 205.5 -3.5 209.3 207.8 182 1,984 18,590 87,292

114.5 -0.5 114.5 114.0

389 1,856

FUTURES DATA All futures data supplied by CMS.

The Tee Broker's Association reports strong and more general demand. Landed Assams mat good competition with prices 5 to 10 pence dearer. Bright and coloury East Africans sold well-often appreciating 2 East Ameans soon westown appreciating 2 to 3 pence but others were lengular. Off-where good demand at firm to dearer rates. Quotestions sended best available 1830/kg., good 132p/kg., good medium 125p/kg., madium 118p/kg. The highest price realOpen interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Grude Oit are

INDICES **III Retitors** (Base: 18/9/31 = 100)

Dec 9 Dec 6 month ago year ago 1846,6 1844.6 1862.2 193 # CRB Putures (Base: 1967 = 100) Dec 6 Dec 5 month ago year ago 242.06 243.55 **E GSCI Spot (Base: 1970 = 100)**

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FT MANAGED FUNDS SERVICE Offshore Funds ● FT Citylino Unit Trust Prices are available over the telephone. Cell the FT Cityline Help Desk on (+44 171) 873 4378 for more details. **OFFSHORE** AND OVERSEAS BERMUDA IRELAND RSBC UK Erath Plus Fic (SIB RECOGNISED) REQULATEDI("") Standard Benk Fund Mgrol (Jersey) Ltd. PO Ben 593, St Heler, Jessey D. +0.000 4.07 VEX Annet Management (+0.007 5.45 Salest Plat York Short & \$100.00 +0.005 \$.15 Salest High York Road & \$100.00 Harron tretand Ltd Manaral Karea Venture Fund Part Menna Periola NV. \$10.23 Second Ventura Periodo NV. \$10.07 Investor Asset Manag الالا (كم ISLE OF MAN SIB RECOGNISED) Country Store F 3 105.36 105.60 +8.40 7.00 Mountly Store F 8 105.00 105.14 +0.01 7.73 IRELAND (SIB RECOGNISED) Jupiter Tyeriati (Bernseda) Ltd FO Box H81256, Hatelian, Decrete 001 000 202 2700 (REGULATED)(**) Nutriers Global Francis Ltd (1206) y has, Prospect HR, Douglas, sol. 01824 620007 to Management Nr. 4 51402 1.4788 — — Helm Management I.4 53.27 5.586 — — material Egist, Pr. 4 (3A.24 30.21 — ores Balanced Ration Fund 50,73 Bank of Ireland Asset Magnet (1081) Ltd 4Celebra Red, Doube, Vib. 10124 12205 Ref Indeed Sering Cont. 1 10188 1,0027 472 \$1000.72 \$1000.72 \$14.73 16.57 \$14.73 15.57 TOSTON TO COMM _ 6 11,154E 1,2317 -0.00M 7,13 ISLE OF MAN Sherrey Johnstone (Doblie) Ltd George House, Pleasant St. Doble 2 Marry State Accomplisher Fred Mc Marry Reactals Bord., 2 922.75 AXA Equity & Low led Fund Mgs Every day, **GUERNSEY** we help Credit Lyonnals left Asset Mgt #80 Ltd thousands of

> people like Zoe fight

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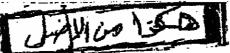
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Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details *** LUXEMBOURG (\$IB RECOGNISED) ## #11.23 ## #11.23 #11.23 Y972.7 04.374 88.536 504.90 594.301.3 524.90 5718.20 525.75 51.147 M.65 63.98 #156 \$1.99 \$4.52 74.99 \$4.52 45.49 \$7.55 45.42 \$1.57 55.42 \$1.77 61.57 \$4.63 10.79 \$1.55 56.55 \$1.55 56.55 \$1.55 56.55 \$1.55 56.55 \$1.55 56.55 Earl 1.30 \$1.064 \$5.710 \$0.262 Y1004 -0.66 6.67 -0.004 6.27 -0.016 6.79 -0.002 7.07 -1 2.38 88.58 변경 경기원 전기원 전기원 건기원 기기원 78.44 76.80 -0.18 1.82 10.13 -0.11 -0.15 記号 Midlend hell Circuit Fund SICAY(s) Midlent Book Fund Managers (Jersey) Ltd \$3.785 \$5.65345 \$166.454 \$1.610 \$5.711 \$2.06145 \$1.66445 \$1.06746 -0.072 -0.056 -0.158 -0.118 -0.022 -0.001 -0.16 -0.16 -0.16 -0.15 \$22,73 \$21,22 \$113,76 \$12,87 Epit 488. 17 201015-42 Epit 12200 Epit 12200 FRS728-84 Engle Star European Life Assurance Co List 1.44 11.72 13.77 12.04 12.00 12.00 13.00 10.00 1 518.54 517.54 511.42 510.78 Anton Master Fund (v) (x) 21 avenue de la Liberia, 1,-1831, Lui 12.84 -0.14 -0.14 -0.11 -0.11 9300 70 5475 73 438 438 -357 -0.12 -0.10 -0.11 -0.11 -0.10 -0.10 10.42 \$13.51 \$13.51 -0.07 -0.08 6.28 +0.003 +0.014 +12 +0.002 +0.004 476 \$16.32 \$10.20 55.24 US 14 +0.01 +0.01 +0.01 10.21 12.27 F., 5 CF 3420 19.9250 \$10 EP -0.11 -0.11 3143 2143 213 213 213 213 213 -0.00 -0.00 -0.00 \$21.00 \$40.41 \$8.44 \$10.06 \$23.89 -0.30 -0.28 -0.10 -0.16 -0.55 Foreign & Colondal Portfolios Fd Sicardin)
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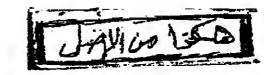
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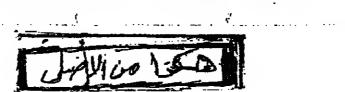
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FINANCIAL TIMES TUESDAY DECEMBER 10 1996 31 FT MANAGED FUNDS SERVICE A Conservation of the Contract Offshore Insurances and Other Funds FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4578 for more details. Libertal BAS Funds Libertal REM 1 Libertal FEM 4 Libertal SEM 1 Li agers Limited ImPac Asia Pacific Funds Limited Lippo Asia Ltd ladia investment AS of Menogement Corporation Demogram \$1307775 print \$2275.54 parkill. \$11487.64 bill teachigu a Personale Access Plants \$11.47 11.75 5507.88 5100.40 5107.40 5107.89 5107.89 5109.87 5109.8 PFM inrael Growth Fund Ltd implement \$3.46 PFPC Interpolitional Ltd no Opposito Milli (1). Tancain Fund Maco **a Ltd** Incidence Asset Mingl Latin Aspertos SA Small Body Nov 27 ... \$198.5947 ... Brail Fe May List Dane4... \$190.3007 ... Brail Felmi toping lay 20 \$17574.04 INFO Bardiffien Practic Cardiff Incore Struct Cardiffien Practic Struct Cardiffien Practic Struct St -1½ hat Delar Receive / Ind Delar Receive 0 PRS Indontation 16 for Northe-Thomas, Lamandage Franch Bisserval Day 4, FFY/25E JT German Roman. Day 4, FFY/25E JT German. Day 4 **Politica** Fund Substituto Scientific Str744 4 Interpretage Scientific Jacobso Floraing Unit Trasts Ltd. PTOTESSPORMS INTERSTITION COMPUTATION COMPUTATION COLD BY COLD Javan Dahl 20 21.30 Dashar favorationed Tryot Co List term Tear May Not 20 . \$24.55 Sand Tear MW Dec 3 . \$24.55 Sand Tear MW Dec 3 . \$24.55 Sand Tear MW Dec 3 . \$21.1 Sand Dash Tear MW Dec 3 . \$11.27 Sand Dash Tear MW Dec 3 . \$12.57 Sand Dash Tear MW Dec 3 . \$12.5 Auram Funda | Compared BEA Autociates Aquatha (big bus 100 51... \$101.50 Aquatha (big bus 100 51... \$702.26 Accide to the list to 21... \$213.17 Accide to the list to 21... \$213.17 Accide to the list to 21... \$213.77 \$0 Accide the W Occ 5... \$411 \$7.5367 AQ73 25C Beharnia Investment Cormony SA olon beternettenet Capital Mayt (Sys) Ltd COURTEMAN & DOCS STEMAN SZW MOOD US IT DUSIGNED PAIR OF CULTURED PRARE Bolin: Proposeries Trust Courses 11st REOOCHES SET IN 18CT, GOLD. Royal Standards Life Assumatore Life (4) (1200) Savata etc. (arc) Ad Dougles. (pm) Chairman Barring Med. (1255) 1,258 4,989 4907 Fishercont Energy Med. (31,007) 1,757 -0,022 - (22,007) Fishercont Energy Med. (31,007) 1,757 -0,022 - (22,007) Captering Carring Med. (31,007) 1,757 -0,022 - (22,007) Captering Carring Med. (31,007) 1,757 -0,022 - (22,007) Captering Captering Med. (31,007) 1,757 -0,023 - (22,007) Captering Captering Med. (31,007) 1,757 -0,023 - (22,007) Captering Captering Med. (31,007) 1,757 - (22,007) Captering Captering Med. (31,007) 1,757 - (22,007) Captering Captering Med. (31,007) 1,750 - (30,007) Captering Captering Med. (31,007) 1,750 - (30,007) Captering Med. (31,0 Rabbs Front OTHER OFFSHORIE The Color Investment of Color Investment Investment of Color Investment I

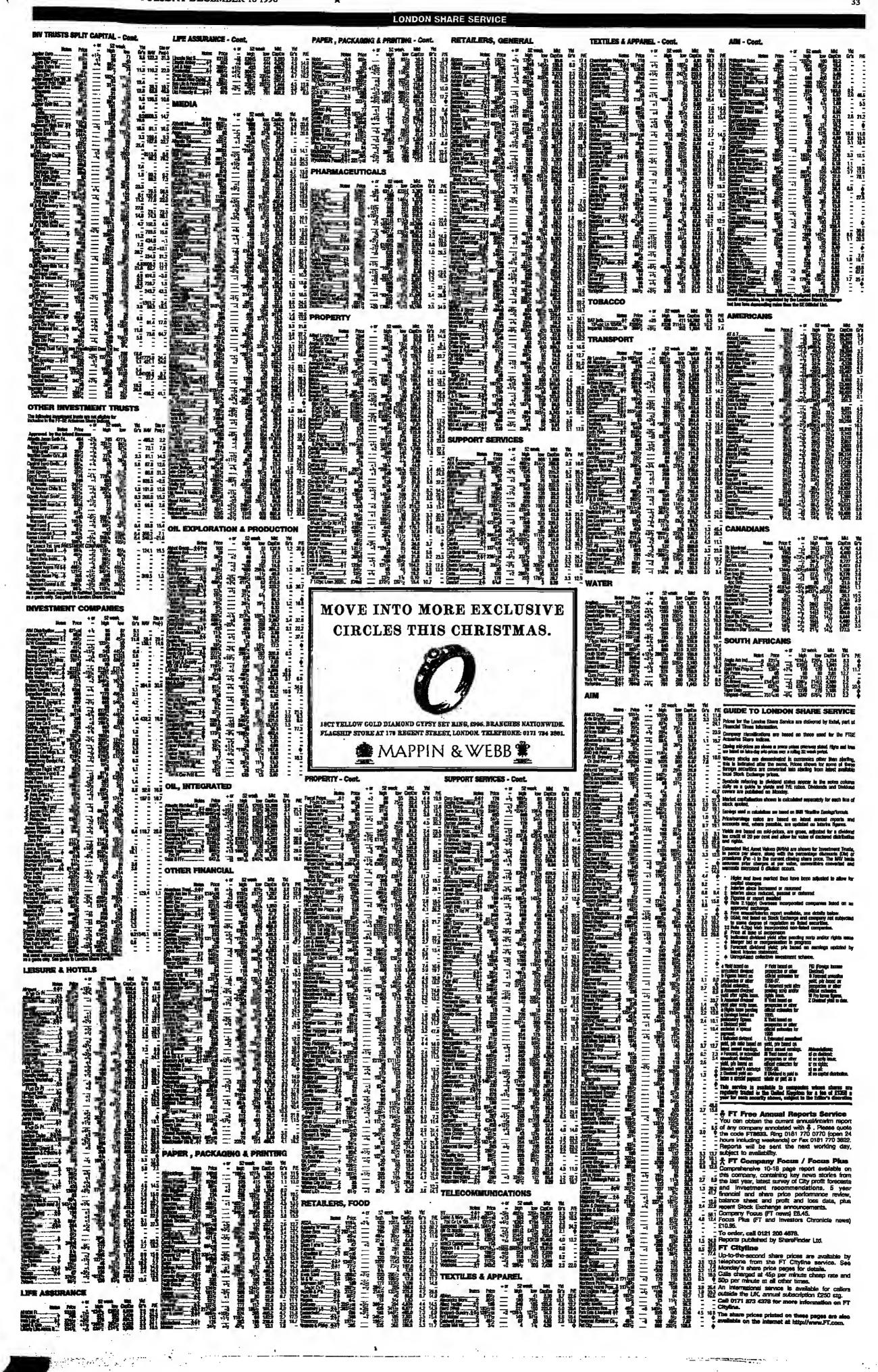
LONDON SHARE SERVICE

Vid Dinor Gra tests Presi 1 483 40 -1132 103 報 語の2000年 東京におけるからないできません。 1900年 日本のは、1900年 1900年 19 | Column | C | Column | C Allied Botteco Price Allied Pr 100 March 100 Ma **世代的大学等の研究が経済地域の日本** ぱず | | | | | | | | | | | | | | | MERCHANT | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 |



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LONDON STOCK EXCHANGE

Footsie recoups over half of Friday's loss

MARKETS REPORT By Steve Thompson,

UK Stock Market Editor

"The way the market closed today you would never have thought that the FTSE 100 was showing a 168 point fall only one trading session ago," mused an old market hand in London yes-

Closing at the day's best and easily recapturing the 4,000 level, the FTSE recouped 48.6 points of Friday's 88.2 loss, ending the day at 4.011.6.

The astonishing turnround in

mance of Wall Street late on Fripoint drop.

And yesterday'e opening perclosed, was 37 points ahead.

Friday's slump in global mar- in November. We would use price kets came in the wake of remarks weakness to reinforce our 4.200 made by Mr Alan Greenspan, chairman of the US Federal sentiment in the UK market, as Reserve, which were interpreted Semple insisted: "The downside by-election. well as across Europe and Asia, by many investors as a warning to the UK equity market is lim-

gist at Merrill Lynch, said "We are mildly bullish on the UK marformance by the US market, ket for 1997. The economic backwhose trends are almost invari- drop hasn't changed, Greenspan ably followed by the rest of the has simply said the US stock world, was also impressive. The market is expensive. We agree: Dow quickly climbed over 40 the UK market has lagged the US points and an hour after London in a big way and UK company directors have been avid buyers

> objective for the FTSE 100." At NatWest Securities, Mr Bob

average levels of cash. Buy into day's 726.3m turnover. the red."

end of last week was not solely between confined to the spillover from the US and Asia. Dealers continued contend with Wednesday's meet- level for many weeks, ing between the chancellor and the governor of the Bank of was £1.23bn, up on recent daily England as well as Thursday's

One common feature of the last earlier this year.

shares could merit a re-rat-

price/earnings ratio of more

than 20 per cent below the

Williams Holdings, the

fire protection and security

which said that most ana-

lysts thought the company

deserved a premium rating. BBA jumped 9 to 353½p

after the engineering group

said it had agreed to buy

International Airmotive

announced a drop in first-

The company posted a

market average.

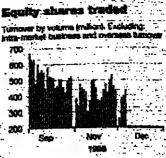
£112.8m.



The market's fragility at the turnover showed that trading marketmakera accounted for one third of overall business, well above usual levels. to point to Conservative Party The value of intra-marketmaker infighting over Europe. They also deals was £1.07bn, by a considersaid the market would have to able margin the bighest daily

> Customer business on Friday levels but a far cry from the £1.5bn to £2bn daily levels seen





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Food Producers

TRADING VOLUME

Major Stocks Yesterday

BATs on the march

By Peter John and Lisa Wood

BAT Industries, the tobacco and financial services combine, was the best performing stock in the Footsie yesterday afternoon as the market put its money on some form of demerger.

The group'e shares had started to rise last week on talk that a deal was being done between Commercial Union and BAT's financial arm, which includes Eagle Star and Allied Dunbar. There was also encouragement from a weighty recommendation published by Merrill Lynch.

Then, a press report that talks between CU and BAT were off calmed the speculation but weekend newspaper stories restored it. Analysts said vesterday that BAT has to do something with its financial services arm and, if CU is not interested, some- for Bass, but he said the one else will be.

the shares are far too cheap oo fundamental grounds and only held back by concerns 19 to 6721/sp, possibly in the about US litigation. Yesterday, the stock recovered 25 to 476%p - more than making up for its losses on "frantic Friday", with the rise backed by respectable turnover of 7.9m shares. CU

Bass rose 141/4 to 8031/4p strengthening 131/4 to 622p.

after the market digested the group's proposed acquisition of the majority of Carlsberg-Tetley to the Monopolies and Mergers Commission and an unexpected announcement by Bass of a possible hotels

Initially, the price had tumbled to 770p after the responded enthusiastically MMC announcement, with analysts suggesting that market makers had over-reacted to the news. Most analysts had believed that the government would refer the deal, which will create the UK's largeet brewer, although some had hoped thet Bass might get off more of 12m. lightly, with the government demanding a number of

undertakings. A recovery in the price during the day was strengthened by an unexpected confirmation by Bass that it was fell sharply in discussion with Bristol Hotel Company in Dallas. The talks concern the possible acquisition by Bristol of Bass's Holiday Inn hotels in North America.

One analyst said the MMC referral was disappointing and that it would lead to four months of uncertainty stock was undervalued and Most brokers argue that any weakness in the price was a buying opportunity.

Scottish & Newcastle rose wake of a recent "buy" note from SBC Warburg Securi-A number of upgrades in

forecasts for Wolverhampton & Dudley, following last week's results, was said to be responsible for the shares

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WANT THE GOOD NEWS?

Grand Metropolitan hardgovernment's referral of the ened 9 to 443%p. A "buy" note from Lehman Brothers said that it seemed firmly back on the growth track.

BTR advances

The re-rating of BTR gatherad paca as investors to the company's positive trading etatement and tha subsequent comment.

The stock was the only Footsis constituent to record a net gain after Friday'e statement and yesterday the shares rallied a further 111/4 to 249p in chunky turnover

BTR said in the statement that second half performance should show an improvement over the first six months trading, whan BTR's profits and dividend One newspaper said the decline in profits for the

FT 30 INDEX

Dec 9 Dec 9 Dec 5 Dec 4 Dec 9 Yr ago "High - "Low 2772.8 2740.7 2797.1 2796.1 2810.7 2644.1 2896.2 2668.8 4.10 4.14 4.05 4.05 4.04 4.06 4.22 3.78 16.80 16.85 17.03 17.02 17.08 15.98 17.46 15.80 16.65 16.48 16.87 16.86 16.93 15.68 17.30 15.71 Ord, div, yield P/E razio net

Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2756.5 2762.7 2763.3 2762.2 2761.4 2763.7 2762.8 2767.5 2770.9 2772.9 2756.5

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Equity bargain	st	· -	22,96	6 20.	301	18,674	22,029	36,729
Shares traded		-	339		31.0	396.5	380.9	0.888
(Excluding Intra-		ineas and	Oversees	funover				
	Dec 9	Dec 9	Dec 5	Dec 4	Dec	3 Yrago	High	"Low
FTSE AIM	1024,00	1019,90	1034.50				1140.40	965.70

52 Week highs and lows LITTE Equity option 614 486 1,178 Dec 9 'Data based on Equity shares listed on the London Share Service. half-year to £74m compared with £76m for the same gained 12% to 500p, after

ing as they are currently trading at a prospective period last year. GEC advanced 5 to 368%p after hints that the company was looking for overseas defence link-ups. One newspaper said GEC was looking products group, rose 4% to 343%p on a weekend press at possible daals with French, Italian or German "buy" recommendation, companies, after the French government called a halt to the sale of Thomson.

GEC was said to have nreferred a tie-up between its defence arm GEC-Marconi and Thomson, but talks are not possible until France decides bow to restructure its industry.

Holding Company for Racal Electronics bounced Carclo Engineering fell sharply when the company 8 to 246%p on positive weekend press comment, which half profits and gave a downsaid long-term holders of the beat statement. The shares stock should not be too fell 481/2 to 2021/2p although gloomy and that Sir Ernest Harrison, the chairman, had no trading was recorded. a remarkable ability to spot

opportunities. Last week, the stock hit a year's low of 218p after the company issued a profits warning the day before releasing first-half results. Electronic Data Process-

ing rose 13 to 72%p after the company posted a drop in profits but said it had received significant orders since November for some of its new products.

Technology group BTG -already one of the UK's top performing stocks this year - jumped 75 to 2387/4p after a press report said it should continue to rise and was on track to meet analysts' expectations this year. Technology group Microvi-

tec slumped 71/2 to 201/2p on a warning that profits for the year would be significantly below expectations. Chiroscience rose 11 to

329p. The drug research company, said it had been granted "investigational new drug status" for levobupivacaine by the US Food & Drug Administration (FDA).

Biotech company Celltech announcing that its leukaemia drug could receive US marketing approval in 1998 if it performed well in a trial scheduled to start next year.

National Westminster

Bank dipped 9 to 669%p against the trend in the sec tor with the shares held down by an overhang of stock washing around the Cadbury Schweppes was

the second worst performer on the FTSE 100, falling 91/2 Calls 14,270 Pags 14,954 to 477p after ABN Amro Hoare Govett, its house broker, downgraded its pre-tax profits forecast for 1997 from £635m to £610, mainly because of currency considerations

FUTURES AND OPTIONS

Dec 4015.0 4044.0 +70.0 4048.5 4005.0 2136 1900 Jun 4041.0 4068.0 +89.5 4064.0 4040.0 200 196 # FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point Dec - 4408.5 +37.5 - 0 348 Mar 4463.5 4453.5 +37.5 4453.5 3453.5 268 192 # FTSE 100 INDEX OPTION (LIFFE) £4009 1 £10 per full index point	DBC 404.0 405.0 404.0 +70.0 4048.5 4005.0 2136 19061 Jun 4041.0 4064.0 +89.5 4064.0 4040.0 200 1963 IF FYSE 250 INDEX FUTURIES (LEFFE) £10 per full index points DBC 4403.5 +37.5 - 0 3430 MBC 4453.5 4453.5 +37.5 4453.5 268 1920 IF FYSE 100 INDEX OPTION (LIFFE) [*4003 £10 per full index points S060 3000 3050 4000 4050 4100 4150 4200			_)pen	Se	tt prid	28	Chang	8	Hot	h	Lo	¥	Est.	wol	Ope	
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LONDON RECENT ISSUES: EQUITIES (2ml) High Low Stock 90 F.P. 14.1 107½ 100½ †Access Ptrs 10
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FT GOLD	Min	lES	IND	EX				- 1
	Dec 6	% chg	Dec 6	Year	Gross div yield %	P/E ratter	52 v	reek Leur
ioid Mines Index (32) Buglouni Jadices	1873,18	-0.4	1875.76	1958.54	1,82	-	2520,73	1800.06
Alca (14)	2192.81	+12	2167.74	2487.58	3.50	31,46	3553.86	

FTSE Actuaries Share Indices ratio ytd Return +12 5963.0 40512 4045.2 5652.1 +0.8 4348.1 4435.8 4421.9 3838.9 +0.8 4384.7 4471.5 4459.2 3844.9 +1.1 1969.3 2012.2 2006.5 1807.9 +1.0 1887.1 1927.4 1916.3 1802.8 +1.3 2058.7 2104.4 2106.1 1917.9 3,97 2,03 3,59 1,49 3,69 1,52 3,89 1,92 5,17 1,79 2,73 2,14 FTSE 100 FTSE 250 FTSE 250 ex IT 15.54 167.61 1675.74 23.32 171.90 1793.30 22.35 180.59 1912.47 FTSE 350 FTSE 350 Higher Yield FTSE 350 Lower Yield 16.73 82.19 1699.63 19.47 103.10 1370.50 21.39 81.83 1463.95

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	Dec 9 c		Dec e	Dec 5	Dec 4		yield%	cover	ratio	ytd	Return
10 MINERAL EXTRACTION(23)	3865.03	+1.5	3809.53	3880.86	3875.84	3177.0	4 3.69	1.71	19.82	142.73	1694.1
12 Extractive industries(6)	4135.66	+1.3	4080.74	4162,56	4195.62	4217.80	3.92	2.66	11.98	162.00	1232.6
15 Oil, Integrated(3)	3999.64	+1.5	3941.29	4008.09	4004,78	3222.74	4 3.86	1.55	20.88	154,36	1801.4
16 Oil Exploration & Prod(14)	2892,60	+1.4	2853.88	2927,45	2892.20	1952.6	9 1.83	1.73			1753.2
20 GEN INDUSTRIALS(275)	1962.44	+1.4	1836.07	1968.97	1984.94	1915.2	5 4.38	1.64	17.36	81,66	1096.2
21 Building & Construction(34)	1150.29	+0.6	1143.28	1155.73	1155.67	1006.80	3,68	1.47	23.11	40,70	981.1
22 Building Metts & Merchs(29)	1789.32	+0.8	1775.50	1810.75	1805.06	1743.57	4.33	1.40	20.63	77.54	924.6
23 Chemicals(25)	2361.86	+0.e	2348.01	2378.28	2356.21	2305.76	4.37	1.44		102,40	
24 Diversified industriets(19)	1415.64	+3.1	1372.73	1376.23	1370.97	1727.88	7.19	1.54		90.53	
25 Electronic & Elect Equip(36)	2231.72	+1.2	2205.47	2239.90	2238,77	2099.50	3.54	1.34		65.09	
26 Engineering(71)	2549.23	+1.2	2519.38	2578.58	2572 02	2147.62	3.23	2.30		B1,47	
27 Engineering, Vehicles(14)	3124.65	+2.0	3064,12	9159.00	9176.12	2505 23	3.45	1.72		103.02	
28 Paper, Poky & Printing(28)	2447.54		2423.98					1.83	16.15	99,66	1047
29 Textiles & Apparel(18)	1047.04		1045.44					1.16	15.82	69,60	061.B
30 CONSUMER GOODS(82)	3696.03	+1.1	3656.24	3743.27	3756.11	3584.25	3.94	1.95	16.24	146.17	1397.4
32 Alcoholic Beverages(8)	2642.88	+1.6	2601.90	2649.74	2699.78	2817.43	4.88	1.85		126.10	
33 Food Producers(25)	2597.14		2591.22					1.77	18.79	105,92	1200
34 Household Goods(15)	2557.22		2546.27					2.24		161,20	
36 Health Care(18)	1996.29		1987.51					1.93	21 65	56.96	1001
37 Phermaceuticals(14)	5884.48		5633.74					2.01		172.16	
38 Tobacco(2)	3973.79		3785.01					2.13		262.07	
40 SERVICES(252)	2582.95	+1.2	2552.01	2803.78	2608.69	2211.43	2.93	1.97		80.64	
41 Distributors(30)	2684.73	+0.3	2677.09	2922.79	2906.96	2517.39	3.00	2.02		89.76	
42 Letoure & Hotele(25)	3244.79		9197.93					1.97		173.45	
43 Media(44)	4149.00		4111.07					2.11	26.63	93,63	1510
44 Retafers, Food(14)	2070.26		2039.30					2.28	14.41	77.71	1348
45 Retailers, General(45)	2078.39		2051.00					2.05		72.79	
47 Breweries, Pubs & Rest (21)	3244.03		3188.23					2.06		75.34	
48 Support Services(50)	2722.50		2703.98					2.22		50,36	
49 Transport(23)	2616.71		2576.75					1.21	28.03	93,48	1116.
80 UTILITIES(33)	2466.07	+0.2	2480.00	2494.71	2460.68	2424.34	5.45	1.70		185.51	
62 Electricity(12)	2867.48	+0.2	2861.1e	2695.03	2647.94	2788.69	6.47	2.19	8.83	459.01	1460.0
64 Gas Distribution(2)	1464.55	+1.1	1448.55	1484,55	1442.15	1518.97	6.19	0.54	28.24	119.71	801.3
65 Telecommunications(8)	2053.64	+0.3	2047.12	2082,13	2058.89	1960.53	4.05	1.51	20.45	58,10	957.5
68 Water(11)	2282.35	-0.8	2296.38	2315.49	2283.00	2117.45	6.52	2.30	8.34	135,09	1314
69 NON-FINANCIALS(665)	2042.71	+1.1	2020.14	2059,13	2056.83	1875.60	3.89	1.81		85.55	
70 PINANCIALSTION	3387.48		3355.28					2.36		129.85	
71 Benks, Retail(B)	4861.89		4807.34					2.70	12 20	182.15	1494.2
72 Banks, Merchantis)	3872.05		3886.09					3.01	15.44	104.13	1027.4
73 Insurance(21)	1591.38		1578.03							104.20	
73 Insurance(7)	3992.13		3967.27					2.29	10.33	80.65	7232.8
A TIE MEGITALISA(1)	3882.13	+0,0	300/2/	4013,39	401030	3421.14	3.89	1.76	13.00	151.01	1697.3

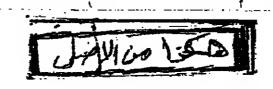
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	Highs & Lows shown on a 52 week basis WORLD STOCK MARKETS	
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Dow rallies strongly at midsession

US investors streamed back into equities, belping shares regain almost all of the losses that they sustained on Friday, writes Lisa Bransten in New York.

Technology shares were especially strong with the Nasdaq composite, which is weighted toward the sector, on course to set a new record high. in early trading the Nasdaq had recovered more than the 12.44 it lost on Friday with a gain of 18.41 at 1,306.09. The Pacific atock was 1.6 per cent stronger.

At 1 pm, the Dow Jones Industrial Average was 49.57 \$% at \$14%. stronger at 6,431.51, about 5 points short of recovering all of the ground it lost on Friday amid jitters caused by remarks from Mr Alan Greenspan, chairman of the Federal Reserve.

The more broadly traded Standard & Poor's 500, bowever, did manage to regain all and more of Friday's 4.78 fall as it rose 6.37 to 745.97. Volume on the NYSE came to 214m shares.

Gains were led largely by sharp increases among large capitalisation technology companies. Intel, the biggest company on the Nasdaq, added \$2% at \$128. Microsoft rose \$31/2 to \$80, Cisco 25 cents to C\$46.75 but Cana-Systems \$1% to \$66% and

Oracle \$2% to \$48. Computer makers were also strong. Dell Computer climbed \$2% at \$59%, Gateway 2000 added \$2 at \$63, Compaq Computer was \$1% C\$54.70.

which is a component of the Dow, rose \$1% at \$157%.

The market liked Hayes Wheels International's bid to buy more than three quarters of Germany's Lemmerz Holding, for about \$240m. Shares in the US company rose by \$1% or 5 per cent to

Santa Fe Pacific Gold gained \$1 or 7 per cent at \$16% after reaching an agreement to be acquired by Homestake Mining for about \$2.3bn. The move came just days after Newmont Mining Exchange technology index made a bid for Santa Fe. Shares in Newmont lost \$\% at \$46\% and Homestake lost

> Southwest Airlines fell \$% to \$24 after warning that it expected fourth quarter earnings to be "substantially below" profits made in the same period last year.

> TORONTO more than made amends for Friday's declines and, at noon, the 300 composite index was up 59.00 at 5.869.06.

> Transport was the ton performing sector with a rise of almost 2 per cent. Banks were also in demand with Royal Bank of Canada up 75 cents at C\$48 and Toronto-Dominion Bank C\$1 better at

Alcan Aluminium dipped dian Pacific gained 75 cents to C\$35.15. Speculation resurfaced that Seagram had its sights set on EMI, the UK music business. Seagram sbares added 70 cents to

Santiago tries to halt slide

percentage point at midsession in a technical rebound after two weeks of heavy losses. The IPSA index, which closed at lows for the year on three occasions last week, stood at 90.48, up 0.93, although analysts commented that there was little wound down ahead of news to justify a strong

Dealers noted that leading stocks had fallen by about 7 per cent over the last fort- day's 70 bolivars loss.

SANTIAGO recovered a night, led by slides in the electricity sector. They added that power stocks were expected to remain unsettled by worries over the impact of this year's

CARACAS slid 1.4 per cent at midsession as trade Christmas holidays. The IBC index fell 87.71 to 6.016.4 but CANTY, at 1.810 bolivars. recouped 35 bolivars of Fri-

MARKETS IN PERSPECTIVE

	*	theogy to for	% change storing †	In US 5 †		
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1986	Start of 1996
Austria	-0.92	+3.03	+14.62	+13.38	-0.38	+5.35
Belgium	-0.33	+3.00	+20.46	+16.15	+1.83	+7.68
Denmark	-1.11	+1.72	+23.46	+23.33	+9.53	+15.83
Finland	+3.19	+11.28	+22.32	+38.21	+23.18	+30.25
France	-2.86	+1.43	+24.66	+22.79	+9.26	+15.53
Germany	-1.64	+1.47	+21.38	+21.02	+6.35	+12.48
Ireland	-1.54	-2.81	+16.37	+17.98	+14.82	+21.43
Italy	-1.34	+2.97	+12.86	+5.31	+3.84	+9.80
Netherlands	-2.31	+4.04	+27.80	+25.97	+10.55	+16.90
Norway	+0.07	+5.10	+25.70	+23.85	+14.87	+21,48
Spain	+1.02	+7.00	+33.91	+30.50	+15.45	+22.10
Sweden	+0.18	+7.34	+33.83	+34.79	+24,46	+31.62
Switzerland	-1.78	+0.27	+16.21	+14.94	-4.25	+1.25
UK	-2.25	+1.07	+8.20	+7.31	+7.31	+13.47
EUROPE	-1.77	+2.10	+17.25	+15.96	+7.37	+13.54
Australia	-3.24	-1.36	+4.38	+4.13	+5.49	+11.55
Hong Kong	-1.92	+4.85	+31.21	+26.48	+21.51	+28.49
Japan	-3.02	-3.52	+0.60	-3.70	-16.86	-11.87
Malaysia	-3.28	+0.35	+10.24	+16.38	+13.76	+20.30
New Zealand	+0.87	+0.45	+8.69	+7.16	+9.06	+15.33
Singapore	-0.40	+4.56	+4.70	+0.11	-4.32	+1.18
Canada	-3.78	+0.77	+24.83	+25.64	+10.12	+25.96
USA	-2.22	+1.47	+18.85	+19.78	+13.27	+10.78
Mexico	+1.29	-0.45	+24.07	+18.97	+9.32	+15.60
South Africa	-1.17	-2.46	+5.91	+5.74	-21.84	-17.35
WORLD INDEX	-2.24	+0.61	+14.38	+13.10	+4.15	+10.13

Frankfurt leads senior bourses higher

EUROPE

Friday might never have happened. The dollar rose more than a pfennig, bonds were strong, and the Dow was 40 points better towards the end of the European day: in FRANKFURT, Bank Julius Baer was predicting that the Dax index could rise by another 12 per cent to the 3,200 level next year.

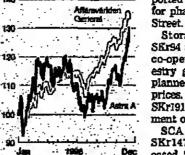
On the day, the Dax led senior bourses higher, closing up 87.77 or 1.3 per cent at an Ibis-indicated 2,870.30. Turnover showed some signs of reserve, falling from Front line cyclicals were

in the charts again, BASF rising DM2.49 or 4.25 per cent to DM61.14 after Friday's 4.2 per cent fall, and Continental, the tyremaker, up 63 pfg or 2.3 per cent to DM28 after a previous 4.1 per cent drop. In carmakers, BMW rose

DM33 to DM1,064 but Volkswagen, DM5.85 higher at DM602, lost most of an early climb to DM608.75 it regis-tered on news that its chairman, Mr Ferdinand Piech. was poised to express its regrets to General Motors over the alleged industrial

Drug companies were less fortunate, Merck falling 70 pfg at DM56, Schering DM1

with its Swiss rival, Roche. Share price and Index rebased



Pharma 50 pfg st DM113.50. Schering denied takeover rumours yet again last week and, according to Mr Michael Boch, head of BZW's Frankfurt office, Schwarz had just said that fourth quarter prescription sales were being cut back because of limitations on German

health insurance budgets. STOCKHOLM, in contrast, saw strength in its pharmaceuticals sector as the Affärsvärlden general index rose 24.9 to 2,341.6.

Astra climbed SKr13 to a record SKr345, still boosted by takeover talk. The shares stepped into the spotlight last week amid rumours that Investor had sold its stake in Astra, and that the drugs at DM130.50 and Schwarz company planned links Rocbe certificates to restart of Sbuttle services.

The upbeat mood spilled FISE Actuaries Share indices over to Pharmacia & Upjohn, up SKr8 at SKr266, also supported by a strong opening for pharmaceoticals on Wall

Stora rose SKr2.50 to SKr94 after it and Soedra, a co-operatively owned forestry group, said that they planned to raise some pulp prices. MoDo rose SKr3 to SKr191 as it declined comment on its plans.

SCA was unchanged at SKr147 and AssiDoman eased SKr1 to SKr182; both said they had decided to wait and see before raising their ZURICH rehounded with

transactions all playing a part. The SMI index rose 38.5 Electrowett, the power utility, jumped SFr29 to SFr511 on a press report that CS Holding was about to sell

its stake, and rumours that

Viag or GE were potential

short-covering, the firming

dollar and derivatives-linked

bidders. Sulzer added SFr21 to FFr270.80. SF1743 and ABB rose SF118 to SFr1,648 on news that the Swiss government had agreed in principle to grant export credit guarantees for the companies to work on China's Three Gorges dam FFr2.90 to FFr167. project. A SFr165 rise in

of HK\$8.5bn.

Cheung Kong each eased 25

SEOUL remained at a

three year low, burdened by

threats of widespread strikes

later in the month in protest

at the government's labour

HK\$66.75 respectively.

THE EUROPEAN SERIES Open 10.30 11.00 12.00 13.00 14.00 15.00 Class FISE Exputack 100 1869.05 1870.05 1869.95 1869.20 1869.55 1869.74 1870.32 1869.85 FISE EMPRES 200 1802.84 1802.82 1901.86 1800.91 1902.29 1902.49 1908.45 1907.05 Dec 4 Dec 3 Dec 2 1868.49 FISE Earotrack 109 FISE Earotrack 200 1893.77 1890.88 1925.28 ighting: 106 - 1578.85, 200 -1006. All dates reserved

> SFr10,075 was attributed to a rose 25 centimes to FFr7.15. recent string of positive brokers' recommendations.

Swiss Re was up SFr17 at SFr1,408, benefiting from news that it intended to buy hopes after five shareholders INA's Italian reinsurance unit for around SFr500. PARIS had a bad day for

motor stocks and recovered only 30 per cent of Friday's near-53 points' shakeout for the CAC-10 index. At the close the lead index

was up 15.12 at 2.255.84 in modest turnover. Renault stumbled FFr2.60 to FFr114.30 and Peugeot FFr1 to FFr602. Michelin, the tyre giant, completed a dreary session for the automotive sector, sliding FFrs.50 to

Defence plays supplied plenty of bounce with Lagardere, up FFr8 or 5.6 per cent at FFr150, providing the best individial blue-chip performance. Thomson-CSF gained

Eurotunnel, lifted by the

The composite index fell

Fl 135.40 on news that its Hong Kong unit plans to seek a bourse listing within two years to help finance an acquisition.

At the close the AEX

MILAN bounced back, helped by strong bonds and a firm lira and the Comit index rose 4.28 to 650.78.

sive shift from "sell" to result of improved sales. cial financial incentives flagging car sales in Italy.

Pirelli & Cle, the holding company, rose L40 to L1.960 on further speculation about a group restructuring.

Philips gained Fl 1.50 to F169.10 and Aegon put on Written and edited by William Cochrane, Michael Morgan and F1270 or almost 3 per cent at F1 97.50. Hoogovens.

where shareholders had lately heard news of a Belgian link and broker buy recommendations, added Fi 1.80 to Fi 70.40. Hagemeyer rose Fl 1.70 to

index was 7.64 better at

Among second liners, Club 623.90. Med raced ahead by almost 9 per cent. It ended FFr27.90 higher at FFr344.9 on bid

> Against the trend. Fiat fell L62 to L4,384 after the prime minister, Mr Romano Prodi, dashed hopes of government help for the alling car sector. The idea of incentives for car buyers had gained credence in recent weeks on the view that a large part of the cost of such a scheme would be offset in the short term by increased tax revenues as a However. Mr Prodi said that he did not believe that spewere the best way to revive

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and a sound Comment

Nikkei sees robust rebound as China Bs surge

espionage issue.

After a hesitant start, TOKYO staged a robust comeback with many investors repurchasing issues they had dumped last Friday, writes Gwen Robinson.

Wall Street's relatively calm response to comments about US financial asset prices by the US Fed chairman, Mr Alan Greenspan, encouraged investore to place buy orders from midmorning and the Nikkei 225 average climbed 327.01 or 1.6 per cent to 20,603.71 after moving between 20,396.69 and 20,669,99.

Volume thinned to an estimated 237m shares from Friday's 441m. Advances led declines 755 to 305, with 173 unchanged. The Topix index of all first-section stocks rose 15.76 to 1,532.77 and the capital-weighted Nikkei 300 by 3.15 to 290.14.

In London, the ISE/Nikkei Bank Y20 to Y2,200. 50 index added 3.35 to

The hunt for internationally competitive companies with strong growth prospects brought NTT into its hit a new high for the year of Y871,000, up Y26,000 and well above its previous 1996 high of Y866,000 posted Jannary 4.

its strong performance in recent sessions indicated overwhelming endorsement of the plan, finalised last between NTT and the government, to split the group into several long-distance and regional phone opera-

tors and bring it into the its best level of the year. field of international operations. Meanwhile the was tempered by worries rival telecommunications that the government was carrier. DDI, retreated Y11,000 to Y806,000.

The broad market continued on a two-track path. with strong performers such as electricals, high technology and precision instruments actively pursued, and laggards such as construction stocks under eelling

TDK advanced Y90 to Y7,490, Canon Y50 to Y2,550 and Sony by Y50 to Y7,520. Ricoh, the day's most active issue, added Y40 to Y1,330 in volume of 5.2m shares.

Pharmaceoticals continued their recent advance. Takeda Chemical Industries rose Y60 to Y2,420 and Eisai by Y40 to Y2,400. Some banks broke out of their recent slide, Sakura Bank adding Y13 to Y957 and Fuji

in Osaka, the OSE average ume of 20.8m shares.

China's two hard currency B share markets continued to rocket ahead as domestic net. The telecoms complex investors targeted so called "rubbish shares" - low priced, unpopular issues, shunned by foreigners. SHANGHAI'S B index jumped 8.641 or 13 per cent to a 1996 closing high of 75,331 in record turnover for

the year of \$34m. SHENZHEN'S B shares added 17.35 or 9.6 per cent to 198.14, the highest since November 1993, in turnover that picked up to HK\$779.2m.

S African industrials gain

session, sharply higher at the outset but closing with futures-led selling.

6,649.3, the overall index side throughout the session. lowing a 24.8 rise to 7,820.0 Amcoal came off R8 to R336.

Johannesburg had a volatile for industrials. Golds came off 9.7 to 1,517.8. Dealers said overall turn-

modest gains after heavy over was moderate, notably among golds where leading After an intra-day peak of stocks traded on the downmded up 13.9 at 6,615.1 fol- De Beers put on R2 to R140.

HONG KONG's rebound also concerned that the forthcoming sale of an addiconsidering measures to tional Won260bn of Korea curb speculation in the terri-Telecom shares would pot tory's booming property additional strain on the market. The Hang Seng already imbalanced supply index put on 41.50 to and demand situation. 13,144.23 in robust turnover TAIPEI ended slightly

higher on a mild rebound. Utilities shares led the thanks partly to a central market, while properties bank assurance that it had underperformed all other no plans to adjust monetary policy. The weighted index sectors. Henderson Land and added 29,22 at 6,808.83. cents to HK\$75.75 and Construction shares pro-

duced some of the day's best gains, Delpha Construction rose T\$1.2 or 3.96 per cent to

BANGKOK ended a six day losing streak and the SET index rose 12.57 to

889.46 on bargain hunting in 3.94 to 692.17, with investors low turnover. Bangkok Bank topped the active stocks list. falling Bt4 to Bt198. MANILA ended sharply

owning a combined 29 per

cent stake revoked their

enhanced further by a deci-

buy" by Paribas, which set

target price of FFr400 for

Skis Rossignol fell FFr2.90

to FFr137 after dull interim

results and a forecast from

the company that the year

ea a whole would suffer a

AMSTERDAM : clawed

back nearly 8 points of Fri-

day's 12 points decline with

Philips beavily in demand

among internationals and

Aegon acting as flagbearer

for the financial sector.

The party mood

investment pact.

the shares.

setback.

lower in thin trade. "The market did not fully react to Friday's worldwide shakeont. We see an extension today," said one broker. The main index came off

49.29 or 1.6 per cent to 3.090.16 after a 23.88 point fall on Friday. "The thin volumes indicate there was no total sell-off, so the market is not really that depressed", said one trader.

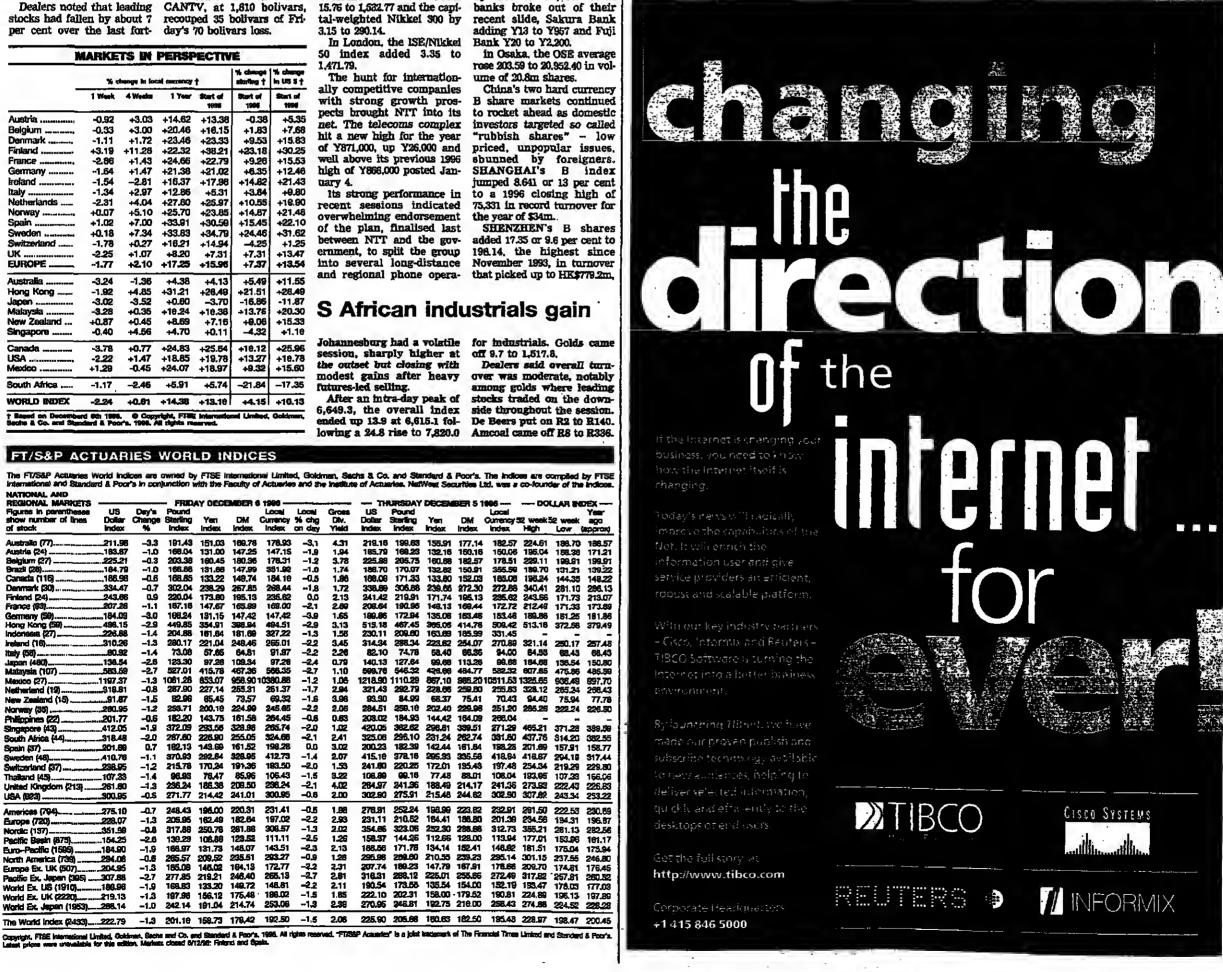
SYDNEY closed sharply higher on bargain-bunting after Friday's heavy losses. The All Ordinaries index: to 2,339.8, having fallen 69.4

on Friday. Volume was a light 244m shares.

shares led the recovery. ANZ added 21 cents to A\$7.65 and NAB 44 cents to A\$14.85. QBE Insurance gained 35 cents to A\$6.65. BHP put on 16 cents to A\$17.64 and CRA 19 cents to A\$19.54.

DKAKA was suspended for a second straight day as investors in the kerb market, angry over the continuing slide in share prices, staged noisy demonstrations and forced the bourse to keep its doors closed.

On Saturday the DSE index lost 48.8 or 1.8 per cent to 2,618.3, prompting protests that manipulators were recovered 25.9 or 1.1 per cent deliberately pushing prices



FT/S&P ACTUARIES WORLD INDICES

The FT/SSP Actuaries World indices are owned by FTSE international Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE international and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatiVest Securities Ltd. was a co-founder of the Indices.

REGIONAL MARKETS .													XEGIS RALJOD			
Figures in parentheses	US	Day's	Pound			LOCAL	LOCAL	Gross	US	Pound	-		Local			Year
show number of lines of stock	Dollar	Change	Sterling	Yen Index	DM Index	Currency	on day	Div. Yleid	Dollar Index	Sterling Index	Yen Index	DM Index	Currency 5	Week:		(approx)
Australio (77)		-3.3	191,43	151.03	169.78			4.31	219.18		155.91			224.61	186.70	
Austria (24)		-1.0	168.04	131.00	147.25			1.94	185.79		132.16			195.04	158.38	
Belgium (27)		-0.3	203.38	160.45	180.36		-1.2	3.78	225.88		160.68			229.11	199.91	
Brazil (28)	184.79	1.0	166.88	131.68	147.99			1.74	186.70		132.82		355.50	189.70	131.21	
Canada (116)		-0.6	168.65	133.22	149.74			1.86	188.09		133.80		185.08	198.24	144,35	
Denmark (30)		-0.7	302.04	238.29	267.85		-18	1.72	338.89		239.66			340.41	281.10	
Finland (24)	243.66	0.9	220.04	173.60	195.13			2.13	241.42		171.74			243.66	171.73	
France (93)		-1.1	167.16	147.67	165.89	168.00	-21	2.89	208.64	190.96		169,44			171,33	
Germany (59)		-3.0	168.24	131.15	147,42	147,42	-3.9	1.65	189.86	172.94	135.06	153,48	153.46	189.88	181.25	
Hong Kong (59)		-2.9	449.85	354.91	398.94	494.51	-29	3.13	515.18	467.45	365.06	414.78	509.42	513.18	372.58	
Indonesia (27)		-1.4	204.88	161.64	181.69	327,22	-1.3	1.58	230.11	209.60		185.99	331.45	-		_
Ireland (16)	.310.26	-1.3	280.17	221.04	248,46	265.01	-22	3.45	314,34	288.34	223.62	254.07	270.89	321.14	250.17	257.48
itely (58)		-1.4	73.08	57.65	64.81	91.97	-2.2	2.26	82.10	74.78	58.40	66,36	94,00	64,53	68,43	
Japan (480)	.138.54	-2.6	123.30	97.28	109.34	97.28	-2.4	0.79	140.13	127.64	99.68	113.26	98.68	184.68	138.54	
Malaysia (107)		-2.7	527.01	415.78	467.36	566.35	-2.7	1.10	599.76	546.32	426.66	484.77	582.32	807.85	475.86	485.59
Mexico (27)		-1,3	1061.28	853.07	956.90	10380.88	-1.2	1.08	1218.90	1110.29	857,10	885.20	10511.63	1325.65	936.49	897.70
Netherland (19)	.318.81	-0.8	287.90	227.14	255.31	251.37	-1.7	2.94	321.43	292.79	228.66	259.80	255.83	328.12	285.24	268,43
New Zealand (15)	91.87	-1.5	82.96	65,45	73,57	69,32	-1.6	3.98	93.30	84.99	68.37	75.41	70.43	94,40	75.94	77.78
Norway (35)		-1.2	258.71	200.18	224.90	245.65	-22	2.06	284.51	259.10	202.40	229.98	251.20	285.26	222.24	226.50
Philippines (22)	201.77	-0.6	182.20	143.75	161.58	264.45	-0.6	0.63	208.02	184.93	144,42	164.09	266.04			_
Singapore (43)		-1.9	372.09	293.55	328.98	265.74	-2.0	1.02	420.05	362.62	296.81	339.51	271.29	465.21	371.28	389,59
South Africa (44)		-2.0	287.50	226.90	255.05	324,66	-2.1	2.41	325.08	296.10	231.24	262.74	331.80	437.76	314.20	
Spain (37)	201.69	0.7	182.13	143.69	161,52	198.28	0.0	3.02	200.23	182.39	142.44	161.64	198.28	201.69	157.91	158.77
Sweden (48)	410.76	-1.1	370.93	292,64	328.95	412.73	-1.4	2.07	415.10	378.16	295.33	335.58	418.84	418.67	294.18	317.44
Switzerland (37)		-12	215.78	170.24	191,36	193.50	-2.0	1.53	241.60	220.25	172.01	195.43	197.48	254.34	219.29	229.80
Thailand (45)	107.33	-1.4	96.93	78.47	85,96	106.43	-1.5	3.22	108.89	99.15	77.48	88.01	108.04	193.95	107.33	166.06
United Kingdom (213)	261 60	-1.3	236.24	186.38	209.50	236.24	-2.1	4.02	284.97	241.96	188.49	214.17	241,36	273.83	222,43	226.83
USA (823)		-0.5	271.77	214.42	241.01	300.95	-0.6	2.00	302.90	275.91	215.48	244.62	302.90	307.82	243.34	253.22
				196.00	220.31	231.41	-0.6	1.98	276.91	252.24	198.99	223.82	232.91	281.50		
Americas (794)		-0.7	248.43 205.95	162.49	182.64	197.02	-2.2	2.93	231.11	210.52	164.41	186.80	201.39	234.56	222.53	
Europe (720)	223.07	-1.3			281.88	308.57	-1.3	2.02	354.66	323.06	252.30		312.73	355.21	194.31	196.87
Nordic (137)		-0.8	317.86	250.78		111.11	-2.5	1.26	158.37	144.25	112.66		113.94		281.13	
Pacific Basin (875)		-2.6	139.29	106.88	123.52					171.78				177,01	153.96	101.17
Euro-Pacific (1595)		-1.9	166.97	131.73	148.07	143.51 203.27	-2.3 -0.9	2.13 1.28	188.56	259.60	134,14	152.41	146.82	181.51	175.04	175.94
	294.06	-0.6	265.57	209.52	235.51		-0.9 -2.2		295.98		210.55 147.79	239.23 167.91		301.15	237.55	246.80
Europe Ex. UK (507)		-1.3	185.08	145.02	184.13	172.77	-2.2 -2.7	2,31	207.74			255.66			174.81	176.45
Pacific Ex. Japan (395)		-2.7	277.85	219.21	246.40	265.13	-2.2	2.81	316.31	288.12	225.01 135.54		272.49		257.81	
World Ex. US (1910)		-1,9	169.83	133.20	149.72	148.81		2.11	190.54	173.58 202.31	158.00		152.19	193.47	178.03	177.03
World Ex. UK (2220)		-1.3	197.98	156.12	175,48		-1.5	1.85	222.10					224,89	195.13	197.89
World Ex. Japan (1953)	268.14	-1.0	242.14	191_04	214.74	253.06	1,3	2.38	270.95	246.81	192/3	216.00	250.43	274.88	224.52	228.28

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FRENCH FINANCE AND INVESTMENT

Feeling of déjà vu persists

Problems that will not go away seem particularly evident in the corporate sector, writes Andrew Jack

Like the letbal bomb that Lagadère group ahead even exploded on a Paris commuter train et the start of posedly independent privations. December, more than a year break had been ruthlessly ruling against this offer stamped out, disturbing has discredited the entire events have a habit of recurring in French life when they are least expected.

Just when it seemed there was little risk of e repetition there was more than a hint of the widespread 1995 public of xenophobia motivating sector strikes, for example, truck drivers blocked roads across the country with point was the plan to sell the impunity for nearly two multimedia division of weeks during November. Thomson to the South Korcausing considerable disrup-

Economic growth is beginning to pick up, preparations for the introduction of the euro are well in hand, and e number of structurel reforms such as the launch of private pensioo funds are under way. But problems, particularly in the corporate sector, just do not seem to go

While the wave of French companies buying up international competitors has pany. been virtually overlooked, the prospect of any acquisitions in the other direction bas stoked huge controversy. Probably no recent event has been more damaging in foreign eyes than the attempted sell-off by the state of Thomson, the ernment swiftly sacked the defence end electronics chairman of GAN, the state-

would be handled, the announcement of the government's unexpected prefer-

sation commission, and then after a previous terrorist out- tha commission's surprise process used for the sale of public assets.

More worrying, was that it seemed to many as though the rejection of the Lagadère bid, given that the sticking ean electronics group Dae-

While British Airways has been allowed to buy the domestic carrier Air Liberte, its offer was accepted only after it was modified to include a partnership with the all-Gallic group Banque Rivaud. Now there are question marks over the involvement of the UK's GEC in the proposed GEC-Alstbom merger with Framatome, the nuclear engineering com-

Political interference in state-run groups has been evident elsewhere. The sale of the CIC bank was also recently cancelled after the privatisation commission decided one of the two bids was unacceptable. The govowned incurance group An extraordinary series of which owns CIC. The move decisions - over the way it was interpreted by many as crude retaliation for his role in biocking the appointment last spring of an adviser to



the bank. But the French government has demonstrated a remarkable resilience to criticism over the past few months. In the same way as it shrugged off disapproval in 1995 over its nuclear testfor next year.

ing policy, it felgned indifference to the discontent expressed this year by e number of its European partners when it stretched the budget arithmetic to its limits to ensure that it would meet the Maastricht treaty requirements on monetary To achieve a 1997 deficit of

no more than 3 per cent of deftly counted FFr87.5bn in for once, help". staff pension fund assets Tight co-ordination transferred from France between the government, Télécom ahead of its sell-off financial institutions and the as revenues which would offset public sector spending. Even so, that manipula-

tion does at least make it moves towards the single seem probable that France currency. The decision has ence for the bid by the Mr Juppe as the new head of will now meet its deficit tar- already been taken for all the Bank of France, to calm its social security reforms, it ment to shareholder value in flavour.

get, keeping monetary union on track. Jean Arthuis, the economics and finance minister, draws confidence from the latest statistics, which he argues justify his predictions of 1.3 per cent growth for this year and 2.3 per cent

In the meantime, monetary union has become something of e national obsession. Barely a day goes by without a conference on preparations for the euro. And as Gérard Pfauwadel, head of the Metif, the futures and derivatives exchange, puts it, "the fact that as e country we are gross domestic product, it extremely centralised will,

> private sector means that France is probably the nation furthest advanced in



Valery Giscard d'Estaing (left), the former French president, last month argued the case for a lower rate for the franc and the D-Mark ageinst the US dollar. He want on to suggest that if Germany refused to act jointly, France abould devalue the franc unilaterally. Mr Giscard d'Estaing'a call was backed by two members of the Bank of France's monetary council. As e result tha franc lost some ground but firmed again when a string of leading figures, including President Jacques Chirac (above) and Jean-Claude Trichet (ight), the Bank of France governor, reiterated their support for the current franc/D-Mark parity. See story page 2.

treasury debt, stock market the foreign exchange marprices and derivative products to be quoted in euros from the start of 1989, for

Yet discussion around the euro is far from limited to the technicalities, Former president Valéry Giscard d'Estaing, an ardent European, broke something of e taboo in November by arguing the case for e lower rate for the franc and the D-Mark against the dollar. He edded that France should devalue the franc unilaterally if Germany refused to act jointly.

His comments caused downward pressure on the franc after Philippe Séguin, head of the National Assembly, and two members of the monetary policy council of the Bank of France, expressed support for his

It took comments from President Chirac and Jean-Claude Trichet, chairman of: has slow-pedalled on some of

Ruling party politicians

have become increesingly careful in the way they invoke monetary union, since the Maastricht treaty has become a scapegoat for all of France's troubles. The principal reason for this hostility, for the continued poor popularity ratings of the government, and for the general gloom still pervading the country, is clearly the record French levels of unemployment, which stood at 12.6 per cent or about

3.1m people in October. The fear of social unrest, with memories of last year's strikes still fresh, appears to have caused the government to put a brake on its reform programme, and cast a nervous eye towards the next national elections due in

Although the government

spending reductions, modifications to the income tax rate transactions over the system, and incentives to

reduce working hours which help create new jobs. There are other signs of progress in France, too. Interest rates are et historically low levels, and the country's export trade surplus continues to rise. At the start of this month, the CAC-40 index of leading quoted shares continued its rally since the summer to almost reach its record high.

Equally, new legislation has cleared the way for private, complementary pensions, which should help eddress the problems with the under-funded state system, and create new pools of money that can be invested productively in the equity At least in the rhetoric,

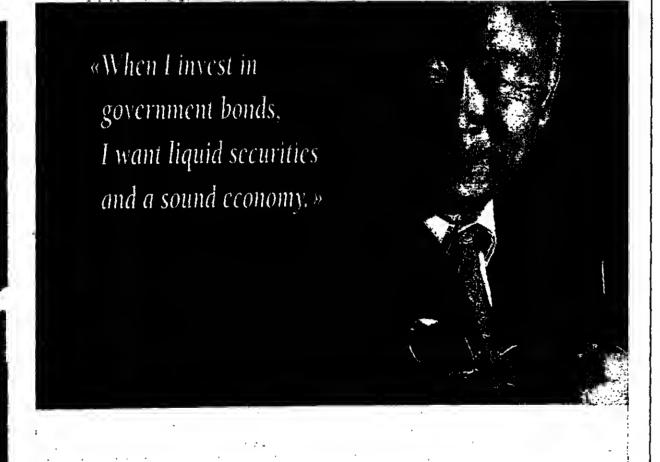
there is also a fresh commit-

has pursued its initiatives on France. The concept was hospital reform, public used to help justify some of

the most important corpopast few months, including the unprecedented demerger of the Chargeurs group into

two quoted companies. Equally, it helped motivate the takeover of the quoted retailer Docks de France by its rival Anchan, the purchase of a majority stake in Banque Indosuez by Credit Agricole, and the proposed ecquisition - the first of e privatised company - of the insurer UAP by its competi-

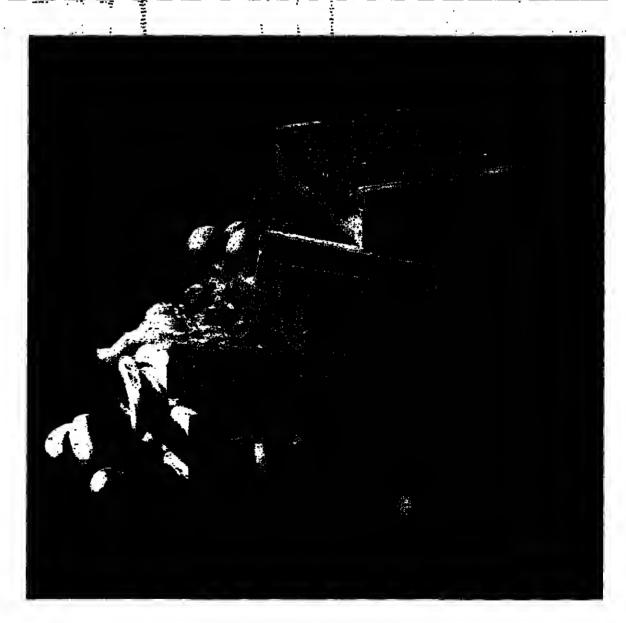
The trony is that Auchan is privately-held, and both Crédit Agricole and Axa are ultimetely controlled by mutual companies. That is testimony to the continued weakness of French quoted companies compared to other forms of ownership. Capitalism is clearly still retaining a distinctly Gallic





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The economy: by David Owen

Rough ride to growth target

The chief economic scourge is the record 12.6 per cent level of unemployment

The French economy has bad a bumpy ride these past four quarters. In two of them, the country's gross domestic product actually declined; in two, it grew at a respectable rate. But the net result of this uneven period is that the government is on course - just about - to hit its undemanding target of 1.3 per cent growth for the present year.

There is still a chance that

widespread industrial action in the last three weeks of 1996 might upset such expectations. Most other doubts about the target's attainability were removed in the last three days of November.

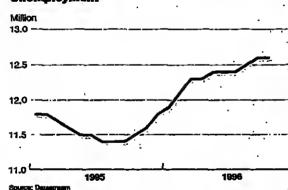
First, Insee, the national statistics institute, published figures showing that thirdquarter growth had been a relatively healthy 0.9 per cent and that the second period had not been as bad as first thought, although the economy still shrank by 0.2 per cent.

Then, the following day, the 12-day truck drivers' strike ended. The government - and the economy may yet suffer if the drivers' victory encourages other workers to adopt more gressive action in pursuit of their own claims. But the dismantling of the road blocks removed the immediate threat of economic disruption on a par with the highly damaging public-sector strikes that paralysed the country last winter.

Eric Chaney, senior economist with Morgan Stanley in Paris, believes the truck drivers' strike will have had no serious impact on growth: last year's stoppages contributed heavily to the 0.4 per cent contraction in GDP in the last quarter of 1995.

If this year's growth target is achieved, it will be in spite of the government's inability to stem France's high level of unemployment, the chief nally expected, with compaeconomic scourge and one of nies seemingly awaiting a the principal reasons for the more sustained upturn in morose mood. This remains at a record 12.6 per cent. although figures for October. released earlier this month, showed the actual number of jobless edging down - to a The government, in effect,

Unemployment



is boxed in. Its commitment both to the franc fort and to reducing its general financial deficit in line with the Maastricht convergence criteria for European monetary union severely limit its scope for adopting unilateral fiscal or monetary measures to combat the problem. In any case, interest rates have fallen markedly in the past 12 months while unemployment has carried on rising. This tends to support the case of those who argue that structural rigidities in the French labour market are at least partly to blame and that cutting interest rates further to allow a depreciation of the franc would do little to help.

Yet, with unemployment so high and many industries in the throes of restructuring, the idea of increasing flexibility by easing long and costly redundancy procedures is, not surprisingly, highly controversial. Last month, prime minister Alain Juppé sought to distance himself from reports that be had set out the need for redundancy reforms to a closed session of the national executive of his ruling RPR Gaullist party.
It remains unlikely the

government will grasp the nettle and attempt to push through such reforms in advance of the next legislative elections due by spring 1998, even if it becomes convinced that this is the direction in which to move, But support for some limited changes appears gradually to be increasing. Jean Gandois, head of the Patronat, the French employers' federation, recently added his voice to calls for greater flexibility, calling for the process of taking staff on to be exempted from all formalities and saying employee reductions were "blocked by procedures that were too long, too complex and too

random". If unemployment is one current economic low point, another is business investment. This has been much lower this year than origidemand before committing themselves to substantial outlays. The picture improved in the third quarter, however, which brought a 2.7 per cent jump after a 0.9 per cent second-quarter



A bigger-than-expected reduction of stocks has been a further negative factor in 1996 growth. Though some of this is no doubt attributable to more efficient management, analysts increasingly expect the tables to turn in the final quarter and beyond. As Morgan Stanley's Mr Chaney observed in response to the latest cut in inventories: This is positive for the future, since ever lower inventories are not a sustainable path".

Economic bright spots have included consumer spending, which bas performed better than expected as families have dipped into their savings to belp fund purchases, and the country's still expanding trade surplus. This has found a second wind in recent months after appearing to run out of steam earlier in the year.

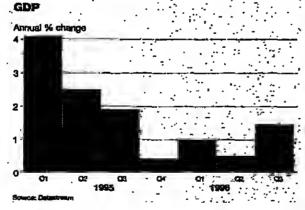
Yves Galland, trade minister, last month seized on September's FFr10bn surplus to predict that the overall months stands FFr72.32bn in the same period last year.

surplus has been one of the chief weapons in the armoury of franc fort defenders, such as Jean-Claude Trichet, the Bank of France governor, in their recent war of words with increasingly vocal advocates of the currency'a depreciation. These are headed by Valery Giscard d'Estaing, the former French president, who last month suggested France persuade Germany of the need for a lower rate for the franc and the D-Mark against the US dollar. He went on to argue that if Germany refused. France should devalue unilaterally. The currency lost some

The impressive size of the

card d'Estaing's call, which was backed by two members of the Bank of France's monetary council. But It then firmed after a string of leading figures, including President Jacques Chirac and Mr Tricbet himself, relterated to predict that the overall their support for the current credit with it. French bank-1996 figure could rise to franc/D-Mark parity. It ers are not averse to this FFr120bn after just over seems the country's leaders ratio being increased by the FFr100bn in 1995. The run-remain determined to pursue ning total for the first nine the franc fort policy, at least in a European context, even FFr86.76bn, compared with if the questioning of its appropriateness is becoming more insistent.

ground as a result of Mr Gis-



■ Preparing for the euro: by David Buchan

Big Bang switch in 1999

The money markets in general will work from day one in euros

The fact that as a country we are extremely centralised will, for once, belp," says Gérard Pfauwadel, president of the Matif futures and options exchange. He was commenting on the plan for Paris' financial markets to switch to the euro in Jannary 1999. "It will ensure coordination, and that everyone plays the game."

So, on the first day of trading in 1999 - January 4 - all money, bond, stock and foreign exchange markets in France will change to the new currency, just as the European Central Bank (ECB) begins to conduct its monetary and exchange rate policy in euros. But while the markets will work from day one in auros, stock prices, for example, will still be quoted in francs as well as euros, and customer accounts and tax statements will almost certainly remain in francs until 2002.

One can't do everything at the same time, so we decided to give priority to capital markets." says Pierre Simon, of Compagnie Bancaire and president of the euro group" at the French Association of Credit Institutions. "A large number of bank clients will choose to keep their accounts in francs, which will remain until 2002 the medium in commerce and in all dealings with the tax authorities and the social security sys-

But the French govern-ment's decision to convert, in January 1999, all its outstanding public debt into euros should ensure the rapld formation of a euro-denominated money market, itself essential to the conduct of monetary policy by the European Central Bank. The likely nature of this monetary policy is not expected to pose any technical problems for banks, with one or two minor exceptions on reserve and refinancing requirements.

The ECB is expected to make more use of reserve requirements than does the Bank of France, which only requires French banks to deposit the equivalent of 1 per cent of their outstanding ECB, because it might help smoothe out interest rate fluctuations on the money market. This, in turn, would reduce the need for fine-tuning by the ECB and its regional agents (the national central banks), and thereby ease the task of decentralised conduct of monetary policy.

"Central banks always find it a bit irritating that the money markets are constantly looking for signals from the central bank, whose daily intervention can sometimes be misunderstood," says Mr Jean-Plerre Patat, head of the Bank of France's international department.

French banks also want to continue to use private paper - essentially bank



credit to companies with a rating - as well as government securities for collateral for refinancing with the Bank of France. They expect to continue to draw their refinancing locally, but would like to draw on paper circulating elsewhere within the euro zone. This could perhaps be guaranteed by another national central bank in the euro zone, suggests Mr Patat. in a form of "correspondent central banking". France remains insistent that credit creation in

the planned Target system of payment settlement within the euro zone should be confined to banks within the euro zone. There are many reasons why French capital markets are planning their Big Bang switch to the euro in 1999.

Some are technical. One is to avoid favouring one market over another - bonds over shares, for example. Another is to avoid credit institutions having to make too many internal conversions, according to different categories of assets or liabilities. Above all, the financial markets want to maximise investments in technology and future competitive gains. Paris has been trading

bonds and shares electronically for the past 10 years, without any exchange of paper. The Sicovam electronic system keeps track of shares, while the Relit system settles share transactions once a day. The latter will be replaced next year by RGV (Reglément à Grande Vitesse, of course) that will settle share transactions continuously. Moving to the euro will require considerable changes to computer software, but an instantaneous switch is technically possible in Paris in a way that would not be possible in other European markets.

A sudden change will suit investors, says Jean-Francois Théodore, president of the Paris Bourse. "The euro zone will be regarded by non-European investors as a single zone, and all the indications are that, for instance, big US investors will very rapidly want to reallocate their investments accordingly and place their money in euros."

If Paris can be ready for the euro before other European capital markets, it may make a permanent gain. Timing is everything," says Mr Pfauwadel, He cites the example of London. "Trading in the 10-year Bund was initiated in London, and the Germans have had great difficulty in recapturing the market. One hundred per cent of trading in 3-month Euromarks and 60-70 per cent of Bunds is still in Lon-

The Matif already has the principal market in bonds

will have the advantage of being exchangeable one-forone into euros ln 1999. It trades an average of 3,000 Ecu bond contracts a day. helped by the fact that the French Treasury is the main and most regular issuer of Ecu bonds (Ecu5bn in the first 10 months of this year).

But it is making other preparations. It bas nnounced plans for a new range of futures products, including a three-month euro contract to be introduced as early as April 1998. The Matif has also matched Liffe in London by signing an agreement with the Chicago Mercantile Exchange for its euro products to be traded after Paris closes. The euro will be traded globally 24 hours a day, and It makes sense to extend liquidity beyond the European time zone," says Mr Pfauwadel.

The problem · for the Bourse is different. In contrast to the money and bond markets, the advent of the euro will not change the nature of its "products", but will pose the challenge of how to avoid confusing its clients.

Mr Théodore takes heart from an opinion survey earlier this year of French shareholders, which showed that most of them are happy to see the Bourse move in 1999 to quoting stocks in denominated in Ecus, which euros (as well as in francs).

■ Paris Bourse: by David Buchan

Good year for equities

The Bourse expects a further boost as private pension funds invest in shares

Cheered by lower interest rates and the prospect of fresh resources from new style pension funds, the

Paris Bourse has had an exceptionally good year. The number of transactions or matched trades this year reached 23.5m by the start of December, surpass ing the 1994 record of 22.8m In value terms, this

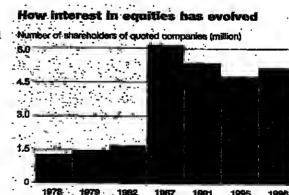
amounted to some FFr1.100bn (\$210bn) and will probably reach FFr1.300-1,400bn by the year's end. The Bourse's main two indices have gained 25 per cent this year. The CAC-40 hit 2,348 on December 3, not far from its record of 2,355 in February 1994, while the hroader SBF-250 had risen to 1,548 by the end of -November. By the start of this month, too, the market capitalisation of the Paris Bourse crossed tha FFr3,000hn for the first

time, to reach FFr3,100bn. To Jean-Francois Théodore, president of the Bourse, there is no magic about this, "We had some catching up to do with other stock exchanges Paris was a bit behind in 1995 due to the political uncertainties surrounding the presidential election and to social problems." He adds: "Indeed the potential of this catching up will not, in my opinion, be exhausted until we go beyond our historic record of February

Sectorally, the big gainers this year have been shares in retail distribution (60 per cent), consumer goods (52 per cent), investment and holding companies (36 per cent), capital equipment (29 per cent) and energy (26 per cent). Those with below average gains include property (3 per cent), financial services and banks (9 per cent) and cars (12 per cent),

Over the longer term, Mr l'héodore expects a further boost to come from private capitalised pension funds investing in the Bourse. Legislation to create these pension funds is currently

CAC 40 2,400 2,300 2,100



1978 1979 1982 1967 passing through the French parliament. Initially, the pension funds are expected to attract some FFr30-50bn in savings, of which at least a third will probably go into shares. On its first reading of the pension fund bill, the National Assembly decided

of their money in bonds, with the rest going into shares. My personal opinion is that over the medium term pension funds will invest mostly in shares," says Mr Theodore. For, the government has decided that benefits from the new pension

pension funds should put

no more than 60-65 per cent

schemes should be mainly paid out in the form of annuities, rather than in a lump sum on retirement. This will tend to favour investing in shares, whose annual rate of return is generally higher than bonds." he says.

Mr Théodore also believes the pension funds will attract some of the huge amount - FFr500bn a year which has been going into life insurance. In the absence of private pension

schemes up to now, people have used life insurance to save for their retirement. "So I think the arrival of pension funds will be much more important for the Paris Bourse than people think," be says.

By contrast, Paris' Nouveau Marché for fledgling companies has had a barder time since it was created last March. "But I do not see any reason to be pessimistic," says Mr Theodore. "We will have at least 17 introductions to this market by the end of the year. It is true that some stocks are trading below their initial price, but of the 12 launched between March and July. 10 are doing fine."

However, Mr Théodore concedes such new companies need to be more modest and transparent, "Perhaps the issue prices should be a bit lower in the future," bc cautions, And from next year, companies on the Nouveau Marché will be required to make quarterly reports - on turnover if not profit - to keep investors more abreast of what they are up to.

Banks: by Andrew Jack report worsens crisis

The Senate finance commission has called for sweeping reforms

When the French Senate Issued a critical report on the state of the country's banks last month, it sent shock waves across the already deeply fractured sec-

"The banking sector is facing a crisis without precedent," says Alain Lambert. secretary of the Senate finance commission which produced the study and which calls for a series of

sweeping reforms. The report demands modifications to tax and labour laws, an overhaul of the statutes of the Caisse d'Epargne national savings bank. greater transparency in the financial activitles of the Post Office, and restructuring of a series of savings products and long-standing operational practices.

Yet, while the French public widely believes its banks to be rich, profitable, greedy and exploitive, investors - in particular those with an internattogal perspective have a very different analysis of the situation.

nais is only the most highlems. The state-owned bank is now in the throes of develplan, which could bring the of its rescue and preparation FFr100bn.

and 1995, banking income loans soared. It was only in

need for reform is as pressing as ever. Stéphane Arrouays, banking analyst with BZW in Paris, says: "After the defence and telecoms sectors, it is clear that financial services must be the next restructuring project for the government. France cannot confinue to have second-ranking banks."

oping a new restructuring total costs to the tax payer for privatisation to nearly More generally, in 1994

and loan portfolios for all French commercial banks contracted in real terms for the first time since before the second world war while provisions against bad another explanation for the the first half of this year that the situation started to For most observers, the

For the last few years, the unprecedented property cri-

sis has weighed beavily on

the results of the banks - as

well as of other financial

insurers - which invested in

development projects, nota-bly of Parisian offices, just ahead of the slump of the early 1990s. The downturn in the

domestic economy also had a far broader negative impact on results, with banks suffering from lower demand for credit from households and companies on the one band, and higher defaults on the other as the number of individuals and businesses unable to pay their debts

increased. But aside from these cyclical factors, Mr Arrouays has crisis of the past few years. It echoes the criticisms made by the country's commercial banks, which have become increasingly vocal in the past two years in lobbying against a series of perceived

competitive distortions. For example, a government decree dating from 1937 acts as a straitjacket on modifications to the working bours of bank employees, making all but impossible innovative practices such as Saturday morning or weekday evening opening in branches, or telephone bank-

Equally, the long-standing "Livret A" and "Livret Bleu" tax-free director of consultants institutions such as the state-backed national savings schemes Mitchell Madison in Paris, eral Electric.

can only be offered to cus-tomers through the Post Office, the Caisse d'Epargne and the Credit Mutuel Bank, bringing an additional respectability and customer base to these institutions to the detriment of their commercial competitors.

The Caisse d'Epargne is a particular target of criticism, from the French Senate as well as from rival banks. Its peculiar legal status with no external shareholders imposes on it very limited accountability and no incenlive to make profits or provide a significant return on

equity. ft is clearly not a coincidence that it announced plans earlier this year to consider revisions to its statutes, and to launch a "social dividend" distributed from its profits, as part of efforts to pre-empt further criticism or external interference.

However, a number of commentators argue that the commercial banks are themselves to blame for much of the current crisis, and were far too quick to indulge in victous price wars over interest rates in the late 1980s, which have left them with

Ziad Sarkia, managing

that none came forward with extremely low margins.

also stresses the banks' lack of innovation in the past 15 years, failing to develop cobranded and credit cards, and inadequately investing in information technology. There are signs that the situation will not be main-

tained much longer. The Senate's report gives strong hints of the direction being taken by the government, which is drawing up proposals for a new banking act. Meanwhile, the prospect of intensifying competition partly as a result of the immanent prospect of European monetary union - is

forcing banks to adapt. Crédit Local de France unveiled earlier this year a merger with Credit Communal da Belgique. Crédit National acquired BFCE. And Crédit Agricole bought Banque Indosuez from the Suez group. Foreign buyers still remain suspicious of French banks, illustrated by the fact

a serious offer for CIC. the state-owned banking network, whose privatisation has now been suspended. But some have abown a willingness to acquire the more profitable niche businesses, such as the nurchase

last year of Sovac by Gen-





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THE PARTY.

Claude Bébéar and Jacques Friedmann: approved a complex deal after a weekend of talks

Insurance: by Andrew Jack

Tumultuous shake-up

The sector may be entering a phase of restructuring as UAP and Axa prepare to merge

It has been a tumultuous few months for the French between heavy provisions. modifications to its distribution systems, privatisations. mergers and abrupt management changes. In the past few weeks, there has been more activity than in the previous several years.

There has been quite a shake-up," says Michael Lindsay, an insurance analyst with Lehman Brothers. "It looks as though the sector is entering a phase of restructuring."

Another observer of the market put it rather more bluntly. In the late 1980s. the French insurers wanted mistakes were all their own doing, with too many acquisitions and all their investment eggs in one basket. Now they are left with just one player.

He is referring to the proposed "merger" of UAP and Axa, unveiled in the middle of November, which will create the world's largest insurer by assets under management, and the second largest by turnover, a giant which dwarfs all domestic competition and a good deal of that in other countries.

It had already been a busy enough year for Axa, the substantial premium, and quoted insurer which is still ultimately controlled by a network of French mutual However, as Simon Rudolph, insurers. The group bad an insurance analyst with completed its acquisition of a controlling stake in "You have to give Axe CIC face the difficulty of National Mutual, the Austra- credit. No one can fault its adjusting to new chairmen. lian-based company, the management's track record after Jean-Jacques Bonnaud rump of which has now been placed on the stock market. and which provides the

launching pad for Axa's ambitions in Asia. it had also finally unwound its complex crossshareholding with Generali, the Italian insurer, which dated originally from 1988. The relationship had never led to any significant co-operation, and in a two-step process over several months, it was dismantled.

After preliminary discus-

It would be hard to imagine a more typically French set-

diversified holding company

building with its neatly-ar-

entrance stands on a street

lined with elegant shuttered

houses, while its grandiose

Yet the picture is not so

interior is full of modern

simple. CGIP combines

some very Gallic invest-

ments with a substantial

packaging group Crown

also chairman of Paris

stake in the aggressive US

Cork & Seal Mr Sellière is

Europlace, which has been

growing in influence over

the past three years, and

which combines the French

belief in Colbertist, central-

The historic headquarters

ting than the office of

chairman of CGIP, the

ranged garden at the

based in Paris.

Ernest-Antoine Seillière,

PROFILE

UAP and Axa broke down, len the limelight from AGF, the rapidity with which the new combination took place was stunning. Even in late September, Claude Bébéar, Axa's chairman, was denying that his group was interested in other acquisitions. Yet on November 7, Mr

Bébéar made his initial offer it lacks crifical mass. insurance sector, torn to Jacques Friedmann, his counterpart. With just the weekend to negotiate, and the pressure of two rival insurers including AIG. threatening to take stakes in UAP, its executives held out only long enough to raise tha Axa offer by about 10 per

They approved a complex deal worth nearly FFr50bn (\$9.65bn) ratified by the hoard on Monday and announced on Tuesday November 12, which involves an exchange of four Axa for every 10 UAP shares. plus additional "contingent value rights" payable by Axa to conquer the world. The in cash if its shares have not reached a target price of FFr392.5 by June 1999. There is little doubt that

the operation represents a takeover, and indeed the first of a privatised company since UAP was sold in 1994. It also represents perbaps the best way for UAP's shareholders to gain some return after seeing their investment languish for so long below the sell-off price. Some analysts are more

sceptical about the attracat least in the short term. The acquisition represents a cost-cutting at UAP could that it will require perhaps a prove to be challenging, recapitalisation of FFr5bn Morgan Stanley, puts it: tions.

But the Aza-UAP merger the government. has important wider implications in the French financial sector. It creates a group with cross-shareboldings in Paribas and Banque Nat- French federation of insurionale de Paris, which has led some to speculate that in modifying the statutes there could be tensions, and governing the relationship perhaps even a merger,

between the two. It also accentuates the difference in size with France's represents an important other remaining insurance

Ernest-Antoine Seillière

Capital promotion

privatised earlier in the year at a price which appeared attractive given its substantial internal restructuring and the cyclical low in equities. AGF has benefited from the subsequent share rally. but some question whether

Yet the real challenge for the insurance sector is the state-owned GAN group. Since 1994, it has drip-fed losses, unveiling in October figures in the red by FFribn for the first half of 1996, and warning that the result for the full year was likely to be twice that level.

Some of the problem relates to its underlying insurance business, including the legacy of premium reductions it practised in the early 1990s. But much is the result of its banking activi-

However, tha remaining operations of CIC also pose a substantial challenge. The bank is reported in GAN's books at FFr14bn. Yet when the French government launched a partial privatisation operation for two-thirds control of CIC earlier this year, just two serious candidates came forward with bids placing its total value at about FFr10hn.

The sell-off has now been halted. If it recommences at anything near this value, GAN will be forced to report a substantial capital loss in tiveness of the deal to Axa, its accounts. Conpled with the insurer's continued prob lems from its other operations, it seems likely

before GAN cap be sold. Meanwhile, over the next few months both GAN and CIC face the difficulty of from a series of rationalisa- and Bernard Yoncourt respectively were ousted by

Aside from the gloomy prospects for GAN, not everything in the sector is so gloomy. The FFSA, the ance companies, succeeded between "general" or tied insurance agents and their employers, in a move which breakthrough in the distrisions last summer between groups. The merger has sto-bution of insurance.

■ Pensions: by Andrew Jack

Stage set for financial reforms

France now has legislation which makes private, complementary pensions possible

After long debate and many previous abortive attempts, a surprisingly short piece of legislation was voted calmly and on schedule through the French National Assembly at the end of November. It sets the stage for what could prove to be one of most significant French financial reforms in recent years.

The hill finally creates the possibility in France of private, complementary pensions, funded jointly by employees and employers, which provide a breathing space for those increasingly concerned about the limits of the state-funded system into the next century. .

Civil servants have long had the option in France of making additional contributions to top up their pensions, and for several years the self-employed have been able to operate a complementary system thanks to legislation introduced by Alain Madelin, the former economics minister, early in 1994.

But for the majority of those in employment - the 14m French who work in the private sector - the public reportition system has been their only source of support on retirement with today's pensioners funded by the social security contributions of the current working popu-

It is thus no surprise that those of more advanced years often joke about the need to indulge the young such as during France's periodic outhreaks of university unrest and student demonstrations - to safeguard the prospects for their own future income. But the situation is no lon-

ger a laughing matter. As France's population - like nations still to tackle the absence of a well-developed



those of other developed nations - has aged, there is an increasing imhalance between the size of the growing, retired population and the smaller working popula-

tion required to support it. That reflects a falling birth rate, but also longer lifa expectancy. Ironically, this demographic effect comes at a time when tha pressure for earlier retirement has rarely been greater, a situation exemplified by the fact that the French government's and transport employers' concessions last month to truck drivers after a two-week strike including agreement to reduce the upper age limit

from 80 to 55. Equally, it was more than any other issue the government's proposals to increase the retirement age of train drivers - many of whom can leave on a full state pension at 50 - which triggered the social unrest and paralysing, lengthy strikes at the end of

last year. Yet, while many other countries face the same prosnect of deficits triggered by their state-funded pension systems. France remains one of the last western European

problem with a complemen- equity market. tary system.

One reason has been fear of a repetition in France of the Maxwell scandal that so badly tarnished the image of company-controlled pensions in the UK. More generally, the French unions have attacked any attempt to challenge the paritaire system of management of the state system, jointly run by unions and employers along-

Critics have also argued that a complementary system also runs counter to the French spirit of equality, creating two-tier provision, with different entitlements for those who benefit from retirement benefits not available to others.

side the government.

In the absence of any official alternative pension system, the French have nevertheless resorted to a series of strategies to plan for retirement, notably through long-term savings schemes with tax advantages such as life assurance contracts.

Yet this has done little to help address the other problem which explains why many business groups have long called for a new pensions system in France: the

The relative weakness of the country's stock market has deprived businesses of risk capital, as well as restricting Paris's growth as

a financial centre. It has created a system in which even many quoted companies are under-capitalised, and given rise to an incestuous network of crossshareholdings and noyoux durs or core investor groups designed to protect French groups from being taken limit of FFr100,000 under over by foreign sharehold-

Ironically, foreign pension fund money - notably from tha UK and tha US - makes up a significant proportion French equities, but largely because domestic sources are so limited. Most of the premiums from life assurance contracts, for example, are placed instead into government bonds.

Some estimates suggest that the new private pensions could generate an additional FFr30bn-50bn a year in contributions once they are up and running. And under the current draft of the legislation, there would invested in bonds, thus all but ensuring that at least some of the money will be placed into equities.

But a number of questions remain. First, the significance of the take-up is far from clear. Companies or groups of companies must establish pension systems and pay contributions as well as their employees. Tax incentives will help make the system attractiva, but still create an administrative

burden. The experience of the Madelin law for the self-employed shows that take-up has been limited, with just 125,000 contracts so far launched for retirement, and FFr3.6hn in total premiums collected last year, which includes a high proportion of contributions for other complementary forms of assistance such as health care.

Many of the details of November's reform also remain open to debate: the upper limit on bond investment, or wbether to even include a minimum proportion which must be placed in equities; and the amount of money that can be withdrawn as a lump sum (onefifth of that invested up to a current plans).

In addition, there is the question of the regulatory requirements imposed on those groups which hope to manage the new pension of total investment in funds. These funds have placed the commercial insurers at loggerheads with the mutual insurance groups and the banks, which control a high proportion of the market for life assurance contracts.

Over the coming months, the political battle over the principle of creating complementary pensions may well diminish, but it will clearly be replaced by an increas ingly aggressive commercial battle between those finanbe a cap of 65 per cent on the cial institutions keem to take total which could be control of the new market.

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S.LTS. 18 - 21 MARCH and Exhibe "Surface Treatment and Industrial Finishing" racting - Enviro

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MANUTENTION IB-21 MARCH

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SITL 18 - 21 MARCH International Week of Transport and Logistics

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EXTENSELECTION 13 - 16 MB The International Exhibition for Volume Retail Fashion

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EXHIBITION CALENDAR SECOND HALF OF 1997 MAN TO THE PARTY OF THE PARTY O

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MAISON ET OBJET 5-9 SEPTEMBER The international Home Decoration, Gilware

CUIP.

SEMANGE DU CUIR 7 - 9 SEPTEMBER The international Leather Fair. from the Raw Material to the Furtshed Product



3

EQUIPMOTEL 18 - 23 SETTEMES International Show for Hotels, Restaurants, Cales and Catering Industries

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15 MgAL TE**Ç**ALĞ **D** NORVESE REGARD 20 - 21 NOVEMBER for Fabric Quick Response BURDPLASTO?

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PREMIERE VISION-LE SALON 3 - 6 OCTOBER

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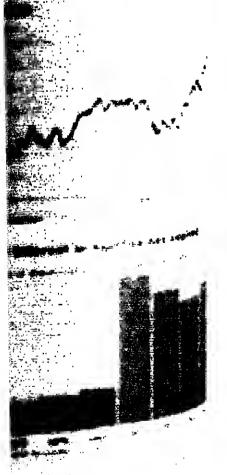
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ised control, with a distinctly Anglo-Saxon emphasis on the liberalisation of markets. "Europlace was set up to promote Paris in the face of European competition," he says. "We should have created it 100 years ago. The UK is sensational at promotion, and the City is like a club. That is not something that comes spontaneously

to the French." He adds that the choice of the organisation's name has turned out fortuliously to have an even greater significance since Europe's . . finance ministers subse



spirits are trigh!

quently decided that the single European currency should be called the Euro. Paris Europiace's strength is to bring together some of the most influential financiers - from banks but also institutions such as the stock exchange – through gatherings including an annual dinner of "elegance

and the atmosphere of an Old Boys' Club", as he puts it, in Versailles, But it also plays a serious role in lobbying, working on such recent initiatives as changes to France's tax and

administrative regime to . . make the country more attractive to expetriates and to companies considering where to place their international headquarters. "We brought attention to the issue," says Mr Seillière. We have to be fiscally competitive." Europiace also helped

rate governance and the need for complementary pension schemes designed in part to help boost the French equity market. And it recently unveiled proposals for modifications to the country's substantial fund management industry. "The big flows of money

stoke the debate on corpo

are coming from the other side of the Atlantic," he. says. "We have to be in a position to please them. without renouncing our own inentity. Future projects for Euro-

place include tax modifications to make French property acquisitions attractive to foreign investors, the provision of specialist financial training in areas such as share custody and a range of back office functions; and roadshows to the I'S and Far East While Europlace and its

members have clearly had an influence on recent . financial reforms in France. it remains too early to tell whether it can win the hattle to ensure the continued influence of Paris in the crucial next few years. Mr Selllière remains upbeat, "Our spirits are high," he says. "We have at least

as much chance as the

other centres. We are well

egnipped. London may be

the place of reference for shares, but we have a chance for bonds."

Andrew Jack

4 FRENCH FINANCE AND INVESTMENT

Jean Arthuis, France's economics and finance minister, talks to Andrew Jack about the encouraging economic growth prospects for 1997

Staunch defender of move to the euro

Jean Arthuis, France's economics and finance minister, is not one of those individuals who has benefited from his government's recent initiative to encourage a shift to a shorter working week in an effort to create new jobs.

Looking tired but in good humour, he spoke in his office before heading off for a late official dinner. It was at the end of a day during which the sensitive privatisation of the electronics and defence group Thomson had been derailed, the French cabinet had met following a terrorist attack the previous evening on the Parisian rail network which killed two people, and he had spoken at two conferences and attended a lively session at

the National Assembly. Yet he found reason to be remarkably optimistic. Mr Arthuis said the recentlypublished figures from Insee, the national statistical institute, showing third-quarter economic growth in 1996 of 0.9 per cent, and positively revised second-quarter figures, were

encouraging". We have returned to the hypothesis of 1.3 per cent growth for 1996, which seemed more difficult a few weeks ago. It shows that my predictions in March were instified, and we are on track for the 2.3 per cent growth for 1997 on which the Budget was based, Perhaps things will be better than

our predictions." It is a growth target that the government can ill afford to miss. As the date for monetary union draws closer, and with it France's obligation by the end of next

year to cut its budget deficit to 3 per cent of gross domestic product, there is little room for flexibility.

Mr Arthuis says additional growth in the coming months will come from restocking, swelling order books and external trade. Ha draws hope from surveys of business confidence and some indications of ecobouring countries, notably Germany. "After a period of restructuring, we are now looking towards significant growth," he says.

However, he expresses disappointment at the low levels of industrial investment. My biggest satisfaction is the reduction in interest rates. Compared to other countries, they are among the lowest. The long-term, 10-year rate is lower than Germany. We have a real margin for manoeuvre for those who invest - compa nies, individuals and local authorities."

The government's record on unemployment is less edifying. It remains at a record 12.6 per cent, or just above 8.1m people, Mr Arthuis as the modest decline of 12,000 in October, and argues that the rise over the year reflected an increase of 150,000 in the active population while the total number of jobs available remained

He stresses initiatives taken in the past few months to reduce the social security charges on companies to encourage hiring, to boost youth training and recruitment, to encourage reduced working hours for those who want them, and to alter the

income tax thresholds in an effort to remove the unemployment trap which acts as a disincentive to work for those on low

He also hints that further eforms may follow, suggesting that there may be scope to revise some of the existing labour laws. He will not comment on such controversial subjects as the minimum wage or the tough rules governing redundancy plans, given tha probnability of an explosive reaction by France'e unions, particularly at a time of such high unem-

In other areas, as a former accountant he highlights with satisfaction his efforts over the last few months to reform accounting standards and regulation, with the launch of two new organisa tions to tackle the task. "Democracy demands transparency," he says.

Of even greater importance, he stresses the government's encourage. ment of private pension schemes, proposals for which were voted through the National Assembly in November. "We have created with complementary pensions a receptacle for long-term savings which works in the interest of investment in business."

He talks about the continued need to "improve the nomic system", including additional reforms to the state, and plans to help restructure the French banking and financial sector. But one of the minister's principal priorities in the coming months is the prepa-

ration for the single Euro-



for a devaluation of the

franc ahead of monetary

without the single cur-

rency," he says. "I don't

think so without it being

need conditions to be sta-

iniquitous. Economic actors

He says he "rejoices" that

the Italian Lire was readmit-

mechanism, making it larger

and more stable. "The euro

will be one of the great cur-

rencies of the world. A credi-

ble, solid currency is a factor

ted into the exchange rate

union. "The real debate is

about whether we can have

the single European market

pean currency, of which France is determined to be a founding participant. He recently set up a committee to help co-ordinate different groups to enable the French people "to appropriate the naw currency'

He remains a staunch defender of the move to the euro, while echoing the government'e more muted advocacy in recent months. The Maastricht treaty has been widely portrayed in France as a scapegoat for all the country's ills. For example, Maastricht or not, we must continue with the clean-up of public sector finances," as Mr Arthuis puts it.

in relocalisation and job crerecent polemic unleashed by former president Valery Giscard d'Estaing over the need

Mr Arthuis says he is satisfied with the current franc exchange rate with the D-Mark. "The right rate is that one at which you get the lowest interest rates." He argues that a higher conversion rate into Euros would penalise French savers and give us better resistance to hostile takeover bids".
On the other hand, he

adds: "I have always said that the dollar has room for appreciation. But to say it is one thing, to obtain it is another." To advocate a more liberal economy, it helps to also accept its con-

cry was tha best way for-

But the collapse of the

talks with the Germans left

Matif with a new challenge.

ucts at 6pm Paris time. "The

best way to extend our dis-

work very quickly."

M Corporate governance: by Andrew Jack

Investors on the march

Shareholder value in France is likely to shift from a marketing tool to a necessity

Corporate governance and shareholder value in France are beginning to shift from theoretical recommendations in worthy reports to direct action in the more explosive arenes of board meetings, annual general meetings and the stock market

In a traumatic few days in late June this year, two annual general meetings made a particular impact, with angry shareholders at. Eurotumnel and Credit Foncier da France denouncing their boards, and gathering a significant proportion of votes in an affort to defeat directors' resolutions.

In 1995, two previous annual meetings had already caused a stir, when in all but unprecedanted movea, groups of shareholders in the Suez and Navigation Mixte conglomerates publicly attacked their respective chairmen, leading to regionations and subsequent fundamental bueiness restructuring in both cases.

But this year's outbursts were different. They did not come from large corporate inveators with complex motives not always eo related to the values of "corporate governance" as their champions proclaimed. They were the result, instead, of "grase roots" individual shareholders, and with arguably even greater justifica-

tion on their side. Eurotunnel'e shareholdera fought back hard, after being etung by a long-dapressed ebare price, a belief that bankers on the board and advising the company had conflicts of interest, allegations of insider trading ahead of a 1994 rights' issue, and renewed financial troubles which led the company panies. to announce a standstill on

They posed a series of tough questions on the state the company, and amassed so many votes that French banking activities, two resolutions - on new and for tha marger non-executive director nomi- announced in November nations and the approval of between the insurers Axa the 1995 accounts - were and UAP. Meanwhile, Pariapproved by just 62.5 per bas and the recently-privathe dissidents may be able to amass a blocking minority sufficient to scupper the restructuring plan for the

"We had a problem of Even more impressively, looking isoleted," says Mr at Crédit Foncier de France, Pfauwadel. "We operate in a just 52.7 per cent of the global market. It was impor-1995 accounts, and feelings tant that we built up a netran so high that the board As e result, in late Novemwas forced to temporarily ber Matif announced an allisuspend the annual general ance with the Chicago Mermeeting. Ultimately, the board agreed to postpone a cantile Exchange, where it will offer its medium and controversial vote to reduce long-term interest rate prodthe cepital of the group, which would wipe out the value of investors' shares.

given to existing investors.

The annual general meet-

ing may be a high-profila

ers who want to vent their

tribution and build liquidity The two examples were unusually dramatic. But was to extend our opening hours," he says. they were part of a broader He adds that closer co-operation with Matif's trend toward shareholder militancy. A recent analysis conducted by Proxinvest, a French consultancy firm. counterpart Liffe in London is conceivable, and that ultimately there may be some examined 2,809 resolutions rationalisation of the condebated at 211 AGMs this year. There was a 1.2 pertracts offered by the two exchanges, mirroring the distinctions between the centage point fall in support for motions proposed by the board, with challenges to Board of Trade and CMB in Chicago. "But first we need topics including the a strong phase of competi-tion, and then the market will decide," he says. accounts, directors' nominations and stock options. There was also growing Meanwhile, Matif's stratopposition to attempts to introduce capital increases without any preference

egy has been focusing on the prospects for the single European currency; which are set to revolutionise its business. At the start of December, it unveiled a new range of products designed to capture the market for Euro-denominated fixed-income contracts...

"The single currency presents a huge opportunity for us," the Matif chairman says. For once we have reason to think we have more good cards than bad." He the single currency, and Germany has yet to make a on the transition to the Euro, France is well prepared.

. It is set to launch in January 1999 to the new regime in a co-ordinated way, backed by the critical mass of the simultaneous conver sion of equities, government securities and derivatives into Euros. "Wa must play it aggressively," says Mr Pfau wadel. "It is not enough to have a new game and good cards. You have to play well. Technicalities, timing and

relatively ineffective. One resson is purely logistical with many French companies scheduling their manings late in the day, or at times which clash with others, making it impossible for investors to attend:

In a notably shamaless example, Société Immeuhie de France, a property bust ness controlled by Credit Foncier, hired a small room in a hotel for just one and a half hours for what was sial AGM, after it had proposed a merger with its parent company, a proposal that would have all but wiped out the stakes of investors.

Most important, however, the exercise of votes at AGMs remains of limited use to minority investors because they generally have littia chance of gathering enough support to block the large number of institutional proxies safely in the hands of the board. Eurotunnel was an exception, because few institutions still hold significent stakes in the group.

Yet the rola of the passive institutional investor may be beginning to change, as foreign investors and even those based in France find thair teeth. ASFFI, tha French association of fund managers, endorsed by the Commission des Opérations de Bourse, the markets' watchdog, demanded that its members exercise the voting rights on

the shares they hold. However, a drive for e better return on equity - still low in many French quoted companies - may prove the most important destabilising. influence on entrenched Gallic boardroom attitudes. Jérome Seydonx, chairman of the Chargeurs entertainment and textiles group, took the message to heart when he announced early in the year his group's unprecedentad split into two separate com-

Preseure from investors was also among the justifications cited for the restructuring of the Suez group, which is selling off its property and

Many observers fear that "shareholder value" is simply a meseage uttered by French executives to foreign investors, and very different from the noises they make shareholders approved the or the decisions they take once safely back in France.

But there are signs that any double language is no longer sustainable. A number of the incestuous "families" of French companies involved in cross-shareholdings, with directors sitting on each others' boards, are breaking up. The merger of Axa and UAP, the unwinding of cross participations by Société Générale, Alcatel Alsthom and Crédit Lyonnais are recent examples.

The void left by the sale of such "strategic" etakes is being filled in part by institutional investors with a need to earn high returns. Traditionally, that has been the case of Anglo-Saxon and Dutch pension funds. Now new legislation is paving the way for domestic pension to invest substantial new sums in equities.

There is still a long way to go, but shareholder value in ingly shift from a marketing tool or a talking point to a necessity for a growing num-

'Miracle' helps birthday celebrations

launch, Matif is consolidating after a bad period last year

For a year in which trading volumes all but stagnated, an extremely significant cross-border alliance was scuppered, and the launch of a new contract was delayed by politicians dragging their feet, the head of the Matif, the French futures market,

is surprisingly optimistic. Relaxing in his modern office in the new headquarters of the Matif. Gérard Pfauwadel, who has led the market for most of the just over a decade ago, says: "We have every reason to be confident."

Since it celebrated its tenth anniversary in February, from humble beginnings just down the road in the Palais Brongnlart, the old stock exchange headquarters. Matif could have hoped for a better birthday present. Yet volumes only modestly increased from 1995 levels. Mr Pfauwadel says: "Last year was bad. This year we are consolidating. It doesn't appear to be a great success, but it is not that bad." indeed, given that non-resident investors have sold such a high proportion of

French government debt, he

such as SGS-THOMSON in

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the ELF-ATOCHEM and

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sub-micronics, the



been a positive reaction to the mched in October 1994

says it is something of a other disappointments for "miracle" that business was as good as it turned out.

He stresses that "our business is to provide tools to protect against volatility", and that in a year marked by substantial convergence between the franc and the German mark, it is no surprise that volatility and therefore tha number of contracts traded fell.

the Matif. Mr Pfauwadel says that there had been a positive reaction to the rapeseed futures contract, launched in October 1994, and which is

As a result, in summer 1995, the exchange set up a committee to examine the possibility of offering a similar contract for wheat. The conditions saemed perfect, However, there have been given the Matif's past experi-

A glance at the European

position of the valley.

concerning financial

park, please contact:

map will show you strategic

of our 250 hectares industrial

ence with commodities, the expected rise in price volatility linked to the dismantling of the EU's Common Agri-cultural Policy, and the importance of France as a producer of the crop.

Yet there were several obatacles, not least an obscure piece of legislation dating from the time of the Popular Front socialist gov-

Overturning the law had to wait until French politiclans finally voted through in June a composite act designed to implement the EU's financial services direc-

In the meantime, the Natherlands had launched planned efforts towards argues that while the UK is its own wheat futures concloser co-operation had been still debating whether to join tract. More important, by the called off. time Matif was ready to go, it was too late for the bulk of were two principal reasons. series of important decisions those seeking to hedge First, "culturally", the DTB

doesn't matter. There will be

another harvest." He adds that the Matif will that electronic trading was consider launching products its preferred approach. for other agricultural com- Matif, by contrast, is an open modities in the future as outcry market. Its dabate they in turn are deregulated. over the choice of which Yet he stresses that they rep- products to offer to its Gerresent a very small part of man partner in electronic total business

It is for this reason that resistance than anticipated.

co-operation with the German futures exchange.

In late 1993, the exchange signed a co-operation agreement with its Frankfurt counterpart, the Dentsche Terminborse, which was set to provide reciprocal trading of some of the exchanges products.

DTB offered two of its contracts electronically to Paris ernmant of 1935 which in 1994, but there was an explicitly banned wheat intense debats over Matif's intense debate over Matif's side of the bargain.

A year ago, the choice was subsumed into a broader discussion with the French bourse, after the DTB merged with the Frankfurt stock exchange. But in April this year, the French and the Germans announced that the

Mr Pfauwadel says there against wheat prices for relies primarily on equity derivatives for its business, "We missed the harvest," whereas the Matira main says Mr Pfauwadel. "But it activity derives from fixed

Second, DTB had decided form stoked a far greater another setback was even After initially dismissing the liquidity in our business are more embarraesing: its objectors as a minority, extremely important."

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Competitive pressures remain acute

FINANCIAL TIMES SURVEY

Faced with over-capacity and wider changes in customers' buying habits, truckmakers are seeking further innovation and new niche markets, reports Haig Simonian, Motor Industry Correspondent

cardroom shake-ups, host of new products ensured that the world of commercial vehicles had cal basis. plenty on its plate in 1996. market expected to continue falling and Europe facing a mixed outlook next year, restructuring looks set to

In trucks, the cause remains chronic overcapacity. In Europe, the takeovers of Daf and ERF have done nothing to ease the capacity problems which have plagued the industry for years. The fact that both companies fell to stronger north American predators rather than local rivals which might have slimmed them down - suggests competition will intensify, rather than diminish, as some European truckmakers had

Tough competitive pressures are also likely to continue in the US. The 15 per cent fall in the Class 8 market for trucks of more than. 15 tonnes may not be as severe as some had predicted late last year. It has, however, been enough to cause a further shake-out in the industry, with the replacement of a number of top executives as manufacturers have failed to live up to their shareholders' financial

hoped.

expectations. Neither the European nor the US market looks particularly rosy next year. Prospects in Europe remain mixed, with differing market expectations. In the UK, demand for commercial vehicles of more than 3.5 tonnes looks set to fall below accelerated by high tariffs the long-term equilibrium on imported vehicles, which level of 50,000 units. The immediate outlook appears poor, although some manufacturers are hoping for an uptorn from the second half

of next year. domestic economic recovery exports weakens. However, medium-term prospects book more promising. In the US, the Class 8 market is expec-

npturn predicted until two takeovers and a almost the turn of the century. Output levels remain high, bowever, on a histori-

The market leaders have ith the US heavy truck not even had the consolation of surging demand in other big markets to compensate for their difficulties at home. Brazil and Argentina are recovering from recent economic downturns which resulted in sharp cuts in production. But it may take another two to three years to regain previous output peaks. And in Japan, sales are expected to remain flat after rising sharply on the back of new weight legislation in the mid-1990s.

Such poor immediate prospects explain why so many truckmakers have rushed into newer territory. Scania expects heavy truck sales in the former Communist countries to soar by 33 per cent to 200,000 units by 2005, compared with 150,000 units in 1996. Demand is set to be boosted by rising economic growth and the need to replace many vehicles bought during the last sales surge of the late 1980s, the

company reckons.

s a first step towards A developing their long term presence in eastern Europe and the former Soviet Union, many leading European manufacturers have set up assembly in Poland. The country is relatively large in terms of geography and population and lies strategically on the main trading routes between western Europe and Russia. Local assembly has been essential for significant mar-

ket share. While European manufac turers have focused on former Communist countries On the continent, demand such as Poland, Hungary is expected to stagnate as and the Czech Republic (and, in the longer term, the forstalls and the outlook for mer Soviet Union), Freighthner and Paccar, two of the biggest - US truckmakers, have targetted Chins. Both

ted to drop further, with no Continued on next page





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27,593

37,561

64,730

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69,961

63.924

120,546

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271,082

182,126



Brand loyalty falls as quality and performance gap narrows between manufacturers

Cont'd from previous page:

expect to be assembling significant numbers of heavy the century in joint ventures with local partners.

The need for new niches is likely to be reinforced as competition rises. In Europe, industry doomsters bave been forecasting an imminent export boom by far eastern manufacturers for years. The incursion has been barely evident so far.

However, the arrival of UK-built Isuzu light trucks after this year's production deal with Leyland Trucks may represent the start of a new trend. Daewoo, the omnipresent South Korean industrial group, appears to have European sales firmly in its sights for the new beavy trucks rolling out of its vast new Kunsan factory. And Samsung, which is gearing up to produce passenger cars at another new plant, is rumoured to be eyeing up the European truck

The competitive stakes have been raised by wider the quality and performance gap between manufacturers

The trend is being accelerrenewal cycles, meaning there is always comething truckmakers are increas-

ingly trying to differentiate tivity at its commercial themselves by value-added "practicalities" - such as internal financing and maintenence deals - rather than

While competition is set to rise, there are no signs of capacity shrinking. Rather than cutting back, Germany's high-cost manufacturers, led by Mercedes-Benz in trucks and Volkswagen in vans, are striving to drive

Both companies bave incompatible vehicles tended to link their around the world. It will be attempts to secure greater some time before any mann-

Technological priorities now shape the industry as manufacturers move towards 'intelligent' trucks

Introduction of new prodncts. That bas proved broadly effective so far: the sonthern or eastern Europe has worked wonders in conchanges in bnying babits. centrating minds among tra-Brand loyality is falling as ditionally pampered Ger-evident. man work forces. The aim is to close the productivity gap with Scania, Volvo and Daf

> truckmakers. Mercedes-Benz expects to save DM500m a year on a new light-medium

labour flexibility at their facturer comes np with a German plants with the "world truck" along the lines of the increasingly round. standardised products being developed in the passeng implicit threat to move pro- car industry. But simplified duction to lower-cost commercial vehicle ranges using standardised modules and shared components -

vehicle and components

plants. And it is forecasting

an additional DM500m in

annual savings on the new

Actros heavy truck, which

will be much cheaper to

Such simplified "modn-

lar" vehicles are one of the

leitmotivs of the industry.

The concept is particularly

attractive for truckmakers,

such as Mercedes-Benz,

build than its predeces

Co-operation on specific projects is another way of cutting development costs steel, rather than alumin-- generally recognised as and gaining economies of ium, for its cab. ated by faster product Europe's most efficient scale. Renault recently announced an agreement to work with General Motors

weight van. Separately, it is

will become increasingly

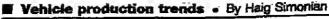
involved with Iveco on a slightly heavier product.

Sluggish markets and rising competition have done nothing to stifle innovation. This year's Hannover truck show provided the impetus for a string of new vehicles. Both Mercedes-Benz and Renanit have launched important ranges. They also have more in the store for 1997-8. In the US, Volvo took the limelight with its

new VN heavy truck. All the new vehicles share the linked technological priorities now chaping the industry as manufecturers move towards "intelligent" trucks. Electronics are becoming ever more important for normal running and ancilliary functions, such as navigation systems. The first' with its electronic braking system linked to standard disc brakes all

Improved aerodynamics and lighter materials to save weight and improve fuel economy are the other main themes, along with a greater emphasis on safety and lower emissions. Volvo - as well as the first to use With no sign of overcapa-

city or rising competition letting up, manufacturers will have to keep innovating



Quest for innovation and economy of scale

New models testify to the increasing globalisation of the industry

If the commercial vehicle industry had vintages, 1996 would go down as an outstanding year. In the space of a few months, many of the world's leading van and truckmakers have launched vehicles which are likely to feature on the world's roads for years to come - even allowing for diminishing product renewal cycles.

The apparent outburst of new metal stems partly from some manufacturers' tardiness in replacing crucial models. Mercedes-Benz's range had been soldiering on for 23 years until finally sent packing by the new Actros

The pace of change has been accelerated by the Hannover commercial vehicles show. The September event, which is the world's leading showcase for new trucks and facturers to bring out new products in time.

This year's show provided more than a display of new metal, however. Many - especially heavy trucks - testified to the increasing globalisation of the commercial vehicles industry.

Outwardly, the trucks exhibited gave little away about the deeper themes, such as joint platforms or shared components, shaping the industry. Beneath the vehicles illustrated the fact that truckmakers are trying to exploit the same economies of scale already driving: distinctive 4-Series heavy the car business towards world" products.

Commercial vehicles will never become as homogeneous as cars. Regional requirements differ more sharply and lower output levels diminish the impact of economies of scale. But the trend towards shared platforms, or, at the very least, greater use of common components, is becoming evident. The Actros, for example, shares various features Benz's US subsidiary, last

Electronic engine management is one of the most obvious areas where truckmakers are trying to innovate on a global scale. The Actros and the Century Class' boast sophisticated fuel injection and engine management systems to improve economy and reduce emissions. The technology has been jointly developed with Detroit Diesel, the US engine maker in which Mercedes-Benz has a

weight and raise payloads, and an ever-increasing emphasis on aerodynamics are among the other common threads appearing in the new vehicles from both sides of the Atlantic.

and Volvo, the European manufacturers with big US subsidiaries, have been among the pace-setters in trying to pool the knowledge of their US and European operations. Although it will be a long time - if ever before European and North America trucks look the same, the latest products illustrate the attempts by the three trackmakers to cut product development times and costs and to raise productivity. Volvo's VN, launched in the US in September, claims to be the most wind-cheating tractor in north America. Based on

the company's European FH in the competitive midweight segment of the European market. MAN completed its three-year product renewal cycle with the M2000 range in the spring. Cross-fertilisation of ideas is not just taking place across the north Atlantic. And Volvo confirmed expectations in Hannover by unveiling the FLC, its first

purpose-built 7.5 tomer. The newcomers have been well-received. The Actros has won plaudits for its technical innovation, especially sis of the European FH with the cab of the north its electronic braking system American VN, along with linked to standard disc brakes all-round. Other new special features for the localfeatures include an electronic engine management system allowing much longer service intervals thanks addressing specific local to an anto-diagnostic system

Scania, which launched its Electronic truck in Europe last year, is engine doing much the same. A conventionally bonneted "T" management version of the 4 Series will is now a key go into production in Brazil; Argentina and Mexico next area of year. While its design will suit local tastes for bonneted vehicles, the truck will share innovation many parts with the Euro

range, the VN boasts innova-

(rather than aluminium) cab

Volvo is developing further

FH variants for Australia

and south America. The NH

version for Australia, dne

next year, will combine the

market. The south American

variant, due before the end

of the century, will similarly

share components while

on a US heavy truck

monitoring engine performance. Renault also claims pean 4 Series. Renault has also been trying to exploit links between to have had a strong recepits international operations. tion for the Premium. The The 11-litre engine available new vehicle, available in two heavy truck unveiled by medium truck range long-distance haulage, bas aerodynamic truck in the US Freightliner, Mercedes- launched in July "reflects already notched up almost some Mack technology", 6,000 orders, it says. says a company official. Meanwhile, Volvo says it

Mack's influence has has registered 2,000 orders

for the VN and bopes to become much greater in the Magnum, Renault's heaviest deliver the first 700-800 units European truck. The slightly by year-end. uprated range seen in Han-The feast of new vehicles nover is now powered by a "Europeanised" version of does not imply a famine for 1997. The year will barely Mack's 12-litre E7 engine. have etarted before Daf While some components, launches its new 95 heavy range at the Brussels show

Europe, will be trying to build up output of the Isuzu N series light truck, which went into production in August under contract. The company expects to build 1,000-1,500 units of the 3.5-6.2 tonne range in the first full 60 years of

However, the biggest changes will be coming from Renault and Mercedes-Benz the two European laggards in renewing their ranges. Renault is expected to unveil its facelifted Magnum, reflecting the more rounded styling of the Premium. Later in 1997 should come the replacement for the Maxter heavy duty truck, to be followed in 1998, with the long-awaited successor for the venerable Midliner 7.5-15

tonne range. Late 1997 or early 1998 should bring a crop of new metal from Mercedes-Benz. An updated mid-weight 12-17tonne truck range will rationalise and replace the current LN2 and MK ranges ble as the heavy SK. Analysts also expect further derivatee of the Actros, including a multi-wheel 32

Mercedes-Benz is also expected to keep the presheavy van, which has just gone on sale in continental Europe, will reach the UK in the new year. The new 4.6-7.5 tonne range completes a three model product replacement and expansion drive that began with the Sprinter medium van in 1995 and continued with the lighter weight Vito this year. And Volkwsagen will be continuing its push into lighter commercial vebiclee which began last year with the creation of a new "fifth brand"

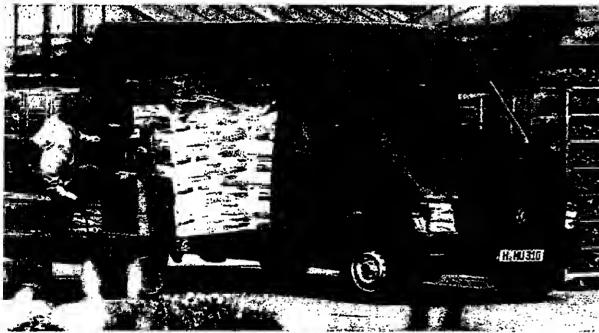




To be unveiled in January: Def's new 95 heavy truck



The YN - the most aerodynamic truck in the market, claims VV



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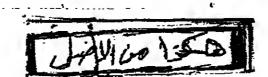
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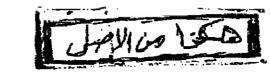
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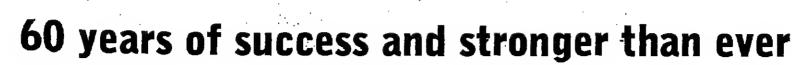
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ARCG









Scania is not like other companies in the heavy truck and bus industry. We have been well in the black since 1935. How many other large industrial companies have been profitable for 60 years in a row?

Our formula for success is no secret. We have simply remained true to our ideals long-term.

why our customers are willing to pay more for a Scania.

Scania was a pioneer in developing a modular component system, allowing the customer to adapt the vehicle to his own needs. This freedom of choice makes it profitable to own and drive a Scania.

Every year, our technicians refine



00% OF ALL THE TRUCKS AND BUSES WE MANUFACTURE ARE BOUGHT IN EUROPE.

A SCANIA DOUBLE-DECKER BUS -

POLICE BOAT WITH TWO SCANIA VIS ENGINES. TOTAL OUTPUT: 1,250 HP; TOP SPEED: 40 KNOTS.

Scania was founded in 1891.

Our concept was to build vehicles for the most demanding of customers.

We started off making railway carriages, and then moved on to heavy trucks, buses, coaches, and industrial and marine engines. We decided that our products would last better and longer than our competitors'. And that we would concentrate on what we are best at — heavy vehicles and engines. Nothing else.

We have never lost sight of this ideal. Every Scania vehicle you see on the road is the outcome of what the most demanding customers have asked of us. This bas been – indeed it still is – a good philosophy. Now that Scania is once again an independent company, we are stronger than ever.

Our products are built for an extremely long life, giving the customer a low cost of operation. That is

2,000 of the 8,000 parts needed to build a Scania. Half of our efforts are aimed at reducing the effect our vehicles have on the environment. Our customers are not satisfied with anything less.

Scania has operations in some 100 countries. We are among the world leaders in the heavy truck and bus and coach sector. Our engines have a strong international standing, and are used in such areas as combine-harvesters, water pumps and sea-rescue vessels.

We have not chosen the easy route. Demanding customers are never completely satisfied. This is the incentive for Scania employees. We are doing what we have always done: that little bit extra for the most demanding customers. We know that it is worth our while – sixty years of success is a long time.

For Demanding People



Key lessons for global market

interests. These groups,

Freightliner, Renault subsid-

iary Mack; and Volvo subsid-

iary GM-White have rapidly

expanded their US market

share over the past few years, and all see their US

largest heavy truck assem-

Fodeo nameplates) is becom-

ing a global player. This

month it completed the

\$550m acquistion of Daf of

the Netherlands, a Dutch

concern that has about 9 per

cent of the Enropean

Paccar also has an agree-

ment to produce trucks in

China with a Chinese part-

ner, Xuzhou Construction

exclusive distribution agree-

ish manufacturer Leyland.

The acquisition "demon-

heavy-duty truck market.

global strategy.

The downturn in US heavy truck demand may be relatively short-lived. The latest trough in the sales cycle could be shallower than in the past, say Wall Street analysts

tion, pulling out of the est producers are owned by pusiest production period in its history, and facing a downshift that will sort out which of the leading producers has planned ahead best for the difficult times in this cyclical industry.

In 1995, US truckmakers assembled a record 200,000 heavy-duty trucks. This year they will make about 150,000 of these heavy vehicles, and while projections for next year vary, heavy truck pro-130,000 units. Hesvy truck demand is notoriously volatile, and linked closely to economic activity.

"The most difficult part of managing our industry is managing the transition years, which we are in," says Mr Jim Hebe, president of Freightliner, the US subsidiary of Mercedes Benz, and one of the world's dominant heavy truck makers

"The toughest decision that must be made is to determine where your company is going to be in the trough of the cycle, and adjust your 'huild-rate'

Truck making in the US is strates Paccar's commitment

Brazilian truck manufacture

the heavy-duty commercial truck market," says Mr Charles Pigott, Paccar's chairman. "The combination of Paccar and Daf will enable us to utilize the technological resources available be US truck-making no longer a domestic conin two major truck markets industry is in transicern - three of the four large and to lower costs due to cern - three of the four larg- and to lower costs due to increased efficiencies. large foreign industrial

Thus, this is the first production downswing in the US where there are so many global participants. With more diversity - and deeper pockets - the four largest companies may ride out the slide with fewer bumps than in the past.

operations as part of a wider Mercedes Benz, Volvo, and Paccar, the publicly-owned Renault do not separate out company that is the thirdthe results of their US subsidiaries. However, market bler in the US (it produces share expansion has not nectrucks under the Kenworth. essarily translated into prof-Peterbilt and - in the UK its for the European-based

Freightliner contends it is now making profits for Mercedes Benz, and is rolling out naw product lines. Volvo, however, is slipping in the market for Class 8 (heavy) trucks, and just overhauled managment of its US truck-making subsidlary. In e consolidation, it plans to close one of its truck assembly plants, in Ohio, early next year.

Machinery Gronp. Through Daf, Paccar will have an The lessons learned in the ment in Europe for mid-size North American market, commercial trucks from Brithowever, may prove valuable globally. Without any serious trade protections, North American truck pro-

Spanning the years: Mack Trucks' first vehicle, pictured 95 years ago - and the new Mack 'Millennium', the CH 600; the company made its name in the US during the construction boom, earlier this century. Mack is now owned by Renault. ■ Argentina • By David Pilling in Buenos Aires

ducers compete at price levels much lower than elsewhere in the world. This, industry executives say, should make the North American assemblers sterling competitors as trade barriers fall around the world, and more markets open to foreign manufactur-

At the moment, however, truck makers must focus on surviving the market trough. Heavy truck sales are depressed worldwide, not just in the North American market: Freightliner, which had 29.5 per cent of the US commercial heavy-dnty truck market at midyear, plans to cope by looking heyond its traditional customers and looking for special niches; hy broadening its international markets; and by using technology to improve demand for its existing products.

Interestingly, the nitches Freightliner has jumped into this year are school-bus chassis and firetruck assemhly, both markets that are one of the few major US expected to grow only mod- truck manufacturers withestly, and which are dominated by Navistar in the US: arrangement. It has a long-Chicago-based Navistar has dropped to fifth on the list of however, and has dedicated

Medium duty: Classes

Heavy duty: Class 8

Freightliner GMC

Volvo/GM

Volvo/GM

TOTAL

US truck manufacture

11,017

180,720

21,956 55,275

24,574

66,292

44,229 27,720

19,702 30,258

63,261

18,030

47,765

17,056

17,531 1,185 166,863

67,467 30,258 22,706



neer John Mack, the founder of Mack Trucks

US heavy truck makers, but still leads the school bus chassis market.

Freightliner plans revive the American LaFrance name, which it purchased two years ago, and build firetruck cabs and chassis under that 150-yearold nameplate. Freightliner executives say their medium-duty truck is quite suitable for fire service.

Nevistar, meanwhile, is ont a European distribution tested presence in Mexico,

18,740 30,008 60,568

110

157,465

15,760

43,904

18,324

62,544 30,008 20,080

18,730 30,921

59,233 570

256 156,110

15,430 42,230

12,564

18,152 785 139,883

60,960 30,921 18,577 71,797

295,003

\$167m to build a new assem-hly operation in Mexico to serve the Mexican and Latin American truck market. It had been using a Mexican partner to build trucks for Mexican sales, but is

abandoning that arrange-At home, Navistar continues to battle labor problems, and recently shelved a plan to reorganise its US manufacturing operations to facilitate a new generation of trucks because of union objections.

The company may revive its plans for new, modern truck production lines once labour/management talks resume, but says it could still take a \$35m charge to fourth-quarter earnings to cover costs associated with

the abandoned effort. Overall, analysts say this downturn in US heavy truck demand may be relatively short-lived, and the trough of the cycle could be shal-

lower than in the past. "A few years ago, 130,000 units would have been a banner year for the heavy truck industry," notes one Wall Street analyst, "You have to look at these things

49,669 19,466 32,579 82,012

650 430

164,806

17,318 48,287

22,497 18,975.

18,172

977 160,665

66,985 67,753 32,579 22,497 78,987 36,871 18,822 .977

47,184 19,120 31,570 80,018 630 314

158,836

44,650

20,845 14,230

17,120 885 148,265

2001

26,289

83,181 738

169,850

50,615

18.210

18,270

169,250

23,550

81,391 38,664

419

Mercosur

Truck production is recovering substantially as Argentina pulls out of recession

rgentina's sharp recession of 1995 may have Labitten deeply into sales of all vehicles, including trucks, but it appears not to have sapped the enthusiasm that truck-makers have for South America's second-largest market after

Sales of trucks and buses in Argentina were down alightly in 1996 to 11,037, according to Adefa, the Argentine association of vehicle mannfacturere, about a fifth of the sales reg-

istered in Brazil. Argentine truck production, concentrated among the three principal local manufacturers - Iveco, Mercedes-Benz and Scania - fell 19.1 per cent last year to plans to export a sizeable 5,134. This followed two years of rapid expansion in duction to Brazil. which production had risen by 15.7 per cent in 1993 and Scania, which has 12 per

truck production bounce began production of its new ting pulls out of recession, plant in north-western according to DRI/McGraw-Hill, the motor industry analyst. Over the next years, commercial vehicle sales will rise "substantially", according to a recent report

by the group. "As the country continues work is extended, demand for trucks will continue growing." says Mr Richard Walles, an analyst at DRI/ McGraw-Hill. "It's not like Europe where sales are generally in order to replace the existing fleet. This is new

above 15-16 tons, should grow faster than the 6-15-ton trucks," says Mr Walles, "as hauliers try to improve the efficiency of their husiness."

Demand is being spurred principally by Mercosur, the customs union which links Argentina with Uruguay, Paraguay and - by far most importantly - the 150mstrong Brazilian market. Development of the customs union, which has brought free regional trade in most goods, has seen a four-fold surge in Argentine exports to Brazil since 1995 to \$5.5bn last year. Most of those goods, much of them agricultural-based products such as wheat, meat and cheese, go

by road. Truck producers, like those of cars and utility vehicles, are encouraged to region by a Mercosur auto regime which penalises vehicle imports through high tariffs, and rewards 20,000 vehicles a year. local producers with plants

duty-free, as long as they satisfy local content and trsde-balancing requirements. In practice, manufacturers have begun to specialise, building one type of vehicle in Argentina and Pengeot licensee, 10 per cent. another in Brazil. Shipments between the factories are horizon for utilities could be avoid duties.

In the truck industry, the trend is increasingly towards trucks and utility vehicles in Argentina, while using Brazil as a base for heavy-vehicle production.

Mercedes Benz is to produce a new small six-ton GVW truck in Argentina for regional sale and will also be producing 15,000 Sprinter vans at a new plant from next year. "Mercedes will produce light utility vehicles here [in Argentina] and heavy-weight trucks in Bra-zil," says Mr Martin Pradier, an analyst at Deutsche Mor-

As a result of that strate egy, production of heavy trucks in Argentina is likely to fail over the coming years, even as demand rises, says DRI/McGraw-Hill.

gan Grenfell.

Iveco is pursuing a similar strategy to Mercedes, with plans to invest a total of. \$200m on plants in Brazil and Argentina. The former will specialise in medium toheavy vehicles, while the Argentine plant will produce light-to-medium vehicles based on the Daily light. truck range and the UK-built EuroCargo model. Iveco amount of its Argentine pro-

Swedish manufacturer by nearly 20 per cent in 1994. cent of the Argentine truck But this year will see and bus market, last year back substantially as Argen- P93 truck at its Tucumán Argentina.

he real boom, though, is expected to come in utility vehicles which bave already taken hold, both for family and commercial use. In 1986 there was developing and the road net- only a handful of utility models on offer, but the range has now risen to 50. At the start of the 1990s, for every 100 vehicles sold, only 12 were utilities, a figure that has now risen to nearly 20. In the first 10 months of this year, domestic sales of vans and pick-ups were up "Sales of the ultra heavies, 55 per cent on the same

"There has been an important shift in the way goods are transported," says Mr Rodolfo Ceretti, head of Ford Argentina. "That task is completed much more efficiently in cities by using utility vehicles, rather than heavy-duty trucks which are more appropriate for rural

transport." Three companies are planning local production of utilities, including Chrysler which has invested \$100m in a plant to build Jeep and Grand Cherokee vehicles in Córdoba. Production is due to start early next year, with annual output to start at 10,000, rising to a potential

This month, Toyota inaugurated a plant in Zárate, an industrial zone outside Buemanufacture within tha nos Aires, for the production of Hilux pick-up trucks. The factory, which also cost around \$100m, will produce

Until such production is in both Brazil and Argen-achieved, most utility ting. imported, says Ms Paula nder the agreement, Bujia, a Buenos Aires-based Brazilian and Argen analyst with Caspian. Howtine manufacturers ever. Ciadea produces the are entitled to import Renault Trafic in Córdoba vehicles from each country and Sevel, and its Peugeot 504 pick-ups in Pelomar. Renault and Ford dominate this market-segment with nearly 20 per cent each, while Chevrolet has 16 per cent; and Sevel, the local

The only cloud on the then carefully halanced to a 10 per cent tax on diesel vehicles that is due to come into effect next year -"there'e a lot of lobbying manufacturing light vans, going on," says Ms Bujie. "No-one knows the elasticity of this demand, but I don't expect it to have e terrible

by weight sector							
	1995	1996	1997	1998	1999	··· 2000	200
Ford							
Medium	12,880	10.486	10.749	11,366	12.569	13.744	14,042
Heavy	576	487	456	505	548	572	589
	13,456	10,973	11,205	11,871 .	13,110	14,316	14,831
% change	15.1	-18.5	21	5.9	10.5	9.1	22
GM							
Medium ·	2,205	. 1,517	1,771	2,163	2.585	2,970	3,156
	2,205	1,817	1,771	2,163	2.585	2.970	3,186
%change	-14.7	-31.2	16.7	22.1	19.5	14.9	6.3
Mercedes-Be	nz						
Medium	19,373	15,829	16,767	19.890	21,887	. 22,725	23,551
Heavy	7.686	5.531	. 7.184	8,226	8,990	9.713:	10.236
	27,059	21,360	23,951	28,118	30,877		33,789
% change	-1.4	-21.1	121	17.4	9.8	5.1	. 42
Scania							
Heavy	6.550	5.013	5,726	6.552	7.136	7,824	8,247
	6,550	5.013	5,681	6,398	7,136	7,824	8.247
% change	-3.0	-23.5	13.3	126	11.5	9.6	5.4
Volvo		_					
Heavy	5.820	4.054	. 4.963	5.584	8.213	6.893	7,470
	5.820	4.054	4.963	5.584	6,213	6,893	7,470
% change	4.8	-30.3	22.4	725	11.3	10.9	8.4
Volkswagen							
Medium	13,427	10,323	11,681	13.843	14,485	15,013	15,142
Heavy	897	787	945	1.042	1.117	1.181	1,210
,	14,324	11,110	12,626	14.885	IS.602	16.194	16.352
%change	65.7	-22.4	13.8	17.9	4.8	3.8	1.0
TOTALS							
Medium	47.885	38,155	40.96B	47,262	51,526	54,452	55,891
Heavy	21,529	15,872	19,274	21,909	24,005	26,183	27,754
•	69,414	54.027	60,242	69,171	75,531	80,635	83,645
% change	10.8	-22.2	11.5	14.8	9.2	8.8	3.7

Brazil • By Jonathan Wheatley in Sao Paulo

Still confident in the medium-term

Slow sales will eventually recover in Brazil, the main production base in Latin America

ruck production in more than 20 per cent this year and manufacturers zilians went on a spending expect to wait two or three years before output recovers. Slower economic growth and very high interest rates are largely to blame. But the machines across Brazil's amount of activity in the industry suggests manufac-

and bus factory at Resende, to push truck sales up by 13 near Rio de Janeiro, will per cent last year, though make 40,000 vehicles a year ooce production is up to during the first half. Since speed from 1997. Scania is then, the retraction has been preparing to launch its dramatic. Series 4 range in the country, following its launch in years in a row from 1992 to Europe last year. Mercedes- 1996," says Mr Hans Hed-Benz spent \$20m developing lund, president of Scania its Brazil Series of four Latin America, based in Sao trucks, introduced earlier Paulo. "This year, it has this year and designed to replace 14 older models.

Brazil has all the makings of an expanding market "says Mr Roberto Bogus. sales director at Mercedes-Benz in Sao Paulo. Sales of extra pressure of the governagricultural equipment, ment's interest rate policy. which fell sharply last year. have shown signs of recovery in recent months, sug- and to attract foreign capital irrespective of where they gesting truck sales might fol- to fixed income investments are made. low. Looking further ahead, as e means of financing Bra-Mr Bogus says growth will zil's current account deficit. to introduce in Latin Amer durability. The company VW hopes reduced costs st although the union will take be led by the consolidation. As competition increased lea because of the traditional says the new trucks incorpo- Resende will give it a com- time to mature.

of the government's stabilis-

gramme produced a boom year. across the economy following the introduction of a new currency, the Real, in July 1994. With hard cash in their pockets for the first time many could remember, Braspree. Truck-makers henefited from the rush to distribute everything from chewing gum to washing

enormous territory. Since then, though, the turers are confident that government has put the a year. demand will pick up in the hrakes on the economy to avoid e return to high infla-Volkswagen's new truck tion. The boom was anough almost all the growth was

"The market grew for four shrunk ecross the board. For the short-term, the outlook isn't positive."

While growth in the economy has dwindled, manufacturers have suffered the Rates have been kept high to suppress consumer spending

ation programme and hauliers could no longer long-term economic expan- afford to finance new vehicles at interest rates of The stabilisation pro- as much as 60 per cent a

reduced interest rates over the past year and the trend should continue, albeit slowly. With the economy production of trucks is expected to rise from 54,000 units this year to 80,000 in 1997. But there is little pros pect of a return to the mar-ket's heyday of tha late 1970s, when production rose to more than 100,000 vehicles

In those days the Brazilian market was sealed off from the outside world hy prohihitive customs duties and an industrial policy of "import substitution". Those policies have been reversed since the beginning of the 1990s, and manufacturers are now immersed in the world trend towards globalisation.

Scania recently reorganised its operations in Brazil, Argentina, Mexico, Chile and Peru into Scanis Latin America. Product engineering, development and purchasing are all based in Sao Paulo. Gradually, manufacturing is coming into line with the company's global policy of "standardisation", nsing modular vehicle designs and parts that are identical across the company

ercedes-Benz hopes reliability and long life will give a similar edge to its Brazil Series. These vehicles, too, show the results of simplification and standardisation, with fewer and simpler parts designed The policy will take time to increase efficiency and

world. But by the end of

1997, says Mr Hedlund, "our

factories in Latin America

will operate at first world

levels of productivity and

means manufacturers must

edge over the opposition.

maintenance, rescue services

parts - has become e deci-

sive factor in winning sales.

vehicles".

separation of manufacturing rate 150 technological inno- petitive advantage. there from the rest of the vations, of which 60 per cent were suggested by its cus-

The Volksbus: Volkswagen'e new truck and hus factory at Resende, near Rio de Janeiro, will give the

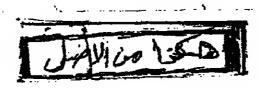
Brazilian industry e rare lead over the rest of the world. Target production is 40,000 vehicles a year

Volkswegen's new truck and bus factory at Resende has given the Brazilian quality, making global industry a rare lead over the rest of the world. The fac-Increased competition tory is the first to use e "modular consortium" eysmake extra efforts to gain an tem of production, in which suppliers take responsibility Scania says its after sales for operating individual in Brazil and Europe, for service - concentrating on units within the factory, assembling key parts and and ready svailability of installing them on vehicles. Volkswagen's role is largely restricted to quality control,

sales and marketing. If it works - and Volkswawas so positive that a "pracproduction - the system will

As manufacturing methods in Brazil become more similar to those in the rest of the world, factories there can supply parts and vehicles to ever wider markets. Brazil is already the industry's chief - though far from only - manufacturing base for Latin America. Manufacturers already swap some parts between factories ezample. As this trend continues,

Brazil's role in the region should be strengthened. Mr Bogus at Mercedes Benz says Brazil is the obvious choice for manufacturers setting up gen says its early experience in the region, simply because it offers the higgest tice" factory built to test the single market. The developsystem ended up entering ment of the Mercosur customs union between Brazil, later be extended to car man- Argentina, Paraguay and ufacture and to locations Uruguay should also outside Brazil. Meanwhile, strengthen Brazil's role,

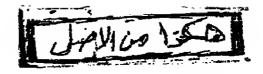




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September 1



European markets • By John Griffiths

Market momentum is finally slowing down

Strong market resilience has been shown by light commercial vehicles those up to 6 tonnes - which are by far the industry's largest sector

have kept up a sur-prising momentum in the face of sagging business confidence and faltering economies, caused in part by governments tightening financial screws in order to meet EU monetary union cri-

Against all expectation, registrations of trucks over 3.5 tonnes in the 15 main countries of western Europe were up 7.9 per cent in the first half of the year, according to estimates by market moultoring group Automotive Industry Data.

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But the momentum is at last starting to slow. And for the next two years, in the heavy trucks sector at least. sales are expected to go into reverse. The forecasting group DRI/McGraw-Hill predicts that this year's final 1993 compared with a 44 per figures will show registracent jump for besvy trucks. dicts that this year's final tions of heavy trucks - those over 15 tonnes - 1 per cent growth of 2 per cent, to year, the inevitable conse-

uropean truck sales 176,490. However, it warns that having gained the most from Europe's short-lived economic recovery, "heavy trucks will bear the brunt of the slow-down in the next two years."

The downturn is expected to be slight. DRI expects a 3.2 per cent fall in the sector's registrations next year. followed by a further drop of 4.1 per cent in 1998 before the market turns up once more in a recovery lasting beyond the end of the

The projections medium trucks, in the 6-15 tonnes range, are slightly facing truck makers in the brighter. The medium sector did not share in the rapid recovery of the "heavies" from the early-1990s recession, with sales rising by only about 10 per cent since Thus DRI expects modest the opening months of this higher than in 1995, at around 81,140 units next quence of the second-balf

cent rise in 1998. try heavily over-stocked and The greatest resilience of reducing output sharply.

all has been show by light commercial vehicles, up to 6 tonnes, which are by far the industry's largest sector. Partly, this resilience is attributed to the strength of the current replacement cycle for light commercials bought in the hoom years of the late 1980s; but partly, too, it is believed to reflect an exceptionally competitive market being supported heavily by manufacturers' Demand has been weakensales incentive programmes. ing even in the UK, one of The combined effect is an expected 4 per cent growth

in the sector this year followed by 5.1 per cent in 1997 and reaching a peak of 1.4m One of the big problems region is that production momentum over the 18 months to the middla of this year was being sustained even more vigorously than sales. With output rates running around 20 per cent higher than 1995 levels in range likely for 1997. Howevar, companias

from next autumn.

other heavy truck markets, not least Spain's. While noone believes it is about to re-experience the disastrous from 20,000 units to less than 5.000 within four years sales are expected to finish down, with no immediately obvious reasons for recovery next year.

the scenario in which too many trucks have been chasing too few buyers has produced two further rounds of rationalisation within the industry.

The more significant, and most recent, came early in the Dutch-Belgian heavy truck makers - to maintain sions and axles - from spe-

On DRI estimates, the overall output cutback is 15

per cent for the second balf of this year - and the problems being caused to individual manufacturers are becoming ever more obvious. MAN of Germany, for example, warned shareholders only last month that sagging demand in the region will result in a sharp profits fall

the few main European countries in an economic recovery phase. Despita a sales upsurge in the past two months - attributed wholly to the registration of trucks not complying with stiffer "Euro 2" exhaust emissions legislation introduced on October 1 - most truck makers now think the UK truck market this year will be 5-10 per cent down on 1995, with a further fall in the same

suchas the UK market leader providing access to a much Iveco-Ford expect that the more international sales netdrop will be confined to the work, as well es providing first balf, with demand finance and technology benestarting to pick up strongly

now: it produced almost Uncertainties also abound about the future direction of 17,000 trucks last year, and sold 25,000 thanks to an arrangement under which its buys in rebadged lighter plunge of the turn of the Trucks of the UK. However, decade – wben sales feli despite its earlier rescue, its roughly nine per cent share of the region's heavy truck market had left it continuing the year about 12 per cent to appear vulnerable in the face of chronic over-capacity in the European industry With exports also muted, uct development and mar-

and Iveco. The Daf takeover followed by just a few months a decision by chairman Mr Peter Foden to give up the long, hard struggle by ERF - the October, when Daf Trucks, smallest of the UK's heavy nents - engines, transmis-

truckmaker revived from

Daf is by no means a min-

vehicles from Layland

and the much heftier prod-

932m (\$570m).

ire-based company, which produces around 4,000 trucks bankruptcy three years ago, was taken over by US truck per year, was bought by maker Paccar, baadquartered in Seattle, for Western Star, the Canadian truck company which is Mr Cor Baan, Daf's chair-man, rationalised the deal as about twice RRF's size. Both DAF and ERF fell

its independence. The Chesh-

victim to the mexorably rising new product development costs required by even more demanding safety and emissions legislation, and the aver higher marketing bills associated with relentless competition. The deeper involvement of

industry (it already owns the small, specialist UK truck maker Foden) may have wider implications than an ownership change. Daccar is unlikely to replicate the mistakes of European producers who, having bought up

keting muscle of larger European-style product rivals like Mercedes-Benz down reluctant US truck rivals like Mercedes-Benz operators' throats. But Paccar is very much in the tradition of the North American industry in buying in the most expensive and difficult-to-develop compo-

like the distribution infra-

structure for the bydrogen

and oxygen 'fuel' to be

resolved. But if all these

problem could be overcome.

then it would undonbtedly

leapfrog all the other tech-

cialist producers such as Cummins Engine, Eaton and Rockwell, rather than developing its own. The attractions of simultaneously taking a large chunk out of Daf's costs by abandoning 'in-house' drivetrain develop-

urban distribution version of Scania's new 4 Series truck

WORLD COMMERCIAL VEHICLES 5

ment and manufacture, and increasing its own muscla power with the independents because of the greater purchasing economies of scale. can be expected to prove irresistible to Paccar. It may also turn ont to be

the key which, for Cummins plant at Kunsan. Paccar in the European et al finally starts to unlock the European market, North America's big drivetrain suppliers bave long sought entry to European truck that, just as in the US, it is ludicrous - given the vol-North American truck makers in the 1980s, tried to stuff

umes involved - for most European truck makers to Hawtal Whiting. produce their own engines and transmissions when they could buy better, cheaper engines from specialists able to invest much more in research and development because of their subsequent high volume of sales. With the occasional exceptions such as ERF, or a clearly-defined product niche in the case of a larger Euro-

pean truck maker, those

arguments bave mostly

fallen on deaf ears. Twenty thousand Dafs coming into the marketplace with a clear cost advantage could be much more diffficult to ignore. Nor is competition within Europe going to be confined to existing players. Daewoo Motor, the South Korean industrial giant's aggressively expansionist vehicles arm, is poised to start its exports of heavy trucks to the region from its new and massive

Output, which began last September, is already up to 20,000 units a year from next month. The trucks range in size from 8 to 23 tonnes manufacturing by arguing gross, with Daewoo engines, and have been designed for international markets by the UK engineering consultancy,

> The export drive from Kunsan forms only part of the threat - Daewoo has also bought control of Avia, the largest truckmaker in the Czech Republic, where it plans to invest heavily in new trucks and engines. Eastern and central European markets are first on the agenda. But those of western Europe will not be far



Designed for trips in town: MAN's NO 263, 260 hp, low-floor bus carries up to 94 pa

Advances in technology • By John Griffiths Moving towards 'intelligent'

vehicles and highways

Telematics to create 'intelligent' highways, may eventually make movements of all traffic generally more efficient

Next summer, on Austria's scenically spectacular Brenner autobahn, a remarkable series of trials is planned to

Car drivers could find themselves passing pairs of heavy trucks in which the driver of the second truck, just a precarious metre or so behind the first, would oppear to be giving wbole new and dangerous emphasis to the word 'tailgating'.

Except that, on closer examination, the 'driver' of the following truck will be seen not even to have his hands on any of the controls. Hc will be in the cab purely as o 'minder'. The real driver of both vehicles will be in the front truck, controlling the movements of the two vebicles electronically.

The "electronic drawbar" experiment has a considerably more serious function than to encourage incredulous car drivers to think that it's time to lay off the

If the concept proves workable - and that means steering successfully not just around technical obstacles but pitfalls of legal liability - within a decade motorists could be passing not pairs of trucks but a 'convoy' of a dozen or more vehicles, just as closely linked and with still only one driver, in the lead vehicle.

There are two instantly obvious advantages to a significant proportion of road haulage being switched to such a system.

First, a potentially large saving in manpower costs for hauliers: second, significant fuel savings. Trucks, especially tractor units with their big frontal areas, consume a substantial part of fuel energy simply to displace the air through which they are moving, with resistonce rising as a square of ranging environmental research programme. Emissions from the bus fleet are within strict legal limits

form a 'roadtrain', fuel consumption reduction will be proportional to the number of trucks which can 'hide' behind the lead truck's frontal area.

tracks. One big drawback, of but it could be used on for by far the greatest proportion of truck haulage lane could be dedicated to their exclusive use.

provides just one illustration, albeit a spectacular the specification and operation of trucks as the world moves towards both "intelligent" vehicles and "intelligent" highways early next

be taken seriously, for Europe's two biggest truck makers, Mercedes-Benz and Iveco, have joined forces to

Two of Marcedes' new

The concept is radical, but has already been shown to work in its fundamentals on manufacturers' private test course, is that it could not be used on 'ordinary' roads motorways, which account miles and where the inside

one, of how extensive tha changes are likely to be in

The experiment is also to

trucks close together, to modified to undertake the and trucks. experiment, which has several other in-built 'fail-safes'. tion ahead and, once inte-Engine, transmission and steering will all be under

electronic control, with the driver's commands replicated and conveyed to the following track by camera, infra-red and back-up radio systems. Another claimed advan- routing around congestion tage of the concept is that, spots.

by bunching trucks together. there will be less congestion than is the case with large numbers of individual trucks, making overtaking by cars safer and more orderly. Each convoy would be assembled and dispersed The convoy experiment at mutually convenient motorway services centres.

Pilot schemes

Other new technologies. notably the telematics to create 'intelligent' highways. should facilitate the use of sucb convoys and make movements of all traffic generally more efficient. Gradually, in pilot schemes across Europe, roadside traffic monitoring baacons are being introduced which, within a decede, will grow into Europe-wide networks capa-Actros tractor units and two bie of exchanging data with compressed natural gas

speed. By bunching up many liveco Eurostars are being on-board terminals in cars (CNG) or liquefied petroleum They will warn of congesgrated with satellite road

navigation systems already starting to go on sale, will provide the means by which all traffic can be paced most efficiently by means of speed controls, synchronised traffic lights and automatic re-Taken together, the mea-

sures are expected radically to reduce the delays, wasted man-hours and unproductive fuel consumption calculated to cost EU countries alone substantially in excess of \$17bn each year.

Electronic control systems are already bringing about a revolution on board the truck itself, managing ever more sophisticated engine. transmission, traction and suspension systems. The revolution, however, as yet is stopping well short of any fundamental change in engine type - at least in the medium term.

Trials are proceeding they have already done for decades - with alternative engines to the ubiquitous truck diesel. But as yet only engines adapted to run on structure been developed to come anywhere near matching that of diesel and petrol. That has not stopped Mercedes-Benz - which also owns Freightliner of the US and is the world's largest truck maker - and some other producers, researching the potential of a number of "alternative" fuals and

None is set to challenge diesel in the short to medium term, and it seems unlikely that the most promising "clean" powertrain technology of all - the bydrogen fuel cell - will become the motive power for heavy trucks covering long

However, Mercedes in the past two years has been making great progress with the technology; the fuel cell to drive one of Mercedes' large panel once weighed 800 kilogrammes and required virtually all the interior space. Already it has been reduced in size to fit within a relatively small compartment, even including its hydrogen and oxygen tanks.

"Given that degree of progress it may be unlikely, but it should not be ruled out. that such fuel cells may one day power trucks," according to a Mercedes-Benz

the exhaust of such a truck truck fleet of several humthere are other big problems, equivalent of less than one cost of a heavy truck.

gas(LPG) have begun even to pibble at the dominance of the diesel. All other forms have disadvantages which to date have provided insupera-

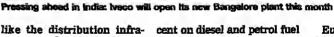
Petrol engines, at least for medium and heavy trucks, are hopelessly uncompetitive because of their far greater thirst for fuel than diesel. CNG and LPG are environmentally 'cleaner' than the diesel - in particular, they emit none of the diesel's tiny particulates suspacted of being carcinogenic - but the on-board tanks needed to store tha fuel are bulky and in only a very few countries has a gas refuelling infra-

The pressures to develop environmentally "cleaner" trucks, particularly to improve air quality in urban areas, continue to increase. Wider availability of CNG and LPG in North America has already led engine makers auch as Cummins and engines for trucks. At last Caterpillar to put on sale count, Mercedes-Benz had heavy truck engines capable of running on these fuels. around 20 such research pro-Progress continues to be grammes in operation. slow, bowever, because of

the additional costs involved. In the UK for example, gas provider BOC acknowledges that currently an operator wishing to buy and use snvironmental reasons for each \$80,000 heavy truck purchased.

Some \$8,000 of this represents the extra purchase cost of the engine itself. The biggest disincentive, bowever, is the \$20,000 plus fall in the resale valua of such a fuels being devoted specifisel version. Not surprisingly, the gas industry and even some

truck operators insist that there is e duty on governments to encourage the growth of such 'clean' fleets. if necessary through subsidy. The UK government, for example, has been told by a small industry consor-"The big advantage is that tium that a natural gas



The consortium, comprising diesel engine producers Cummins and VarityPerkins, British Oxygen, British Gas and truck maker ERF claim such funding, made available over four to five years, would be sufficient to cover the additional cost of developing, producing and operating such vehicles until economies of scale could be reached to make them costcompetitive with diesel

trucks.

the financial penalties to operators would virtually disappear as a result of engine manufacturing economies of scale being built up, a sizeable market developing in used CNG vehicles and an adequate refuelling infrastructure being put in place. The arguments are CNG-powered trucks for starting to fall on more receptive government ears; would face a \$30,000 penalty but not quite in tha way the consortium would like. In its most recent budget, the UK government cut the duty on gas fuels by 25 per cent. But it is regarded as not enough. and so far there is no sign of part of the tax take from the vehicle compared with a die- cally to underwriting gas- refining industry were to truck fleet growth.

Emissions

Efforts to make the diesel itself cleaner continus apace, in part driven by legislation. In October the EU's "Euro 2" emissions standards, further restricting permissible levels refining capacity would be of particulates, oxides of nitrogen, hydrocarbons and carbon monoxide, came into would be almost entirely dred vehicles for urban areas force - in the process adding

the story: already Brussels bureaucrats are debating how much further emissions should be reduced under "Euro 3" rules, and precisely when they should be intro-

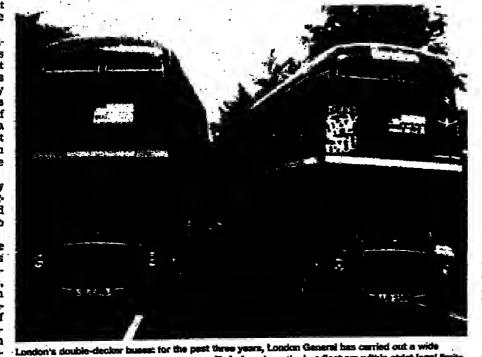
The industry expects these to be around the turn of the century but, unless there is a radical re-think by Brussels in the interim, does not expect meeting the Euro 3 standards to be as difficult as meeting Euro 2. This is because of the intensive After that period, most of technological effort that was required to meet Euro 2, and which has led to most of the parameters of engina and transmission control already being placed under electronic control.

Meeting Euro 3 will be largely a matter of making management systems and injector systems more sophisticated, with even higher injection pressures, truck makers hope.

Nor, they insist, should be onus of developing 'clean' trucks fall entirely on the manufacturers. The entire vshicle-making industry claims that air poliution could be drastically reduced almost overnight if the oil make available 'clean' fuels. reformulated to provide very low sulpbur content and mainly benign hydrocar-

bons. It is an argument that the refining industry is currently rejecting, insisting that the costs of modifying

prohibitive. But with the need to improve urban air quality becoming rapidly more water vapour; bowever, could be financed by the around \$5,000 to \$6,000 to the urgent, Brussels may yet put pressure on both in tandem.



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4.8%

781,800

-4.8%

75,000

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25,740

70.625

-1.8%

77,920

16.270

94,898

3.2%

41.065

15.834

56,350

5.2%

28.187

19.656

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355

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6.1%

78,000

-7.1%

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65.213

1.3%

72 980

17.264

90,244

-0.1%

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17,762

57,990

24,920

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45,836

3,5%

712

-21.7%

178,000

-2.1%

83,000

10.7%

261,000

28,700

72,546

9.5%

78 937

18,360

97.297

7.8%

43.618

19.350

62,968

25.627

22,500

49.417

. 772

8.4%

193,000

8.4%

90,000

8.4%

283,000

8.4%

\$1,540

76,340

5.2%

82,000

19,380

4.2%

44,400

20.330

64,730

2.5%

28,000

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The statement of the last

ports decline

Japanese producers • By Michiyo Nakamoto in Tokyo

ptimism now renewed

Improvements in the Japanese economy will boost cargo-trucking activity and the subsequent demand for new vehicles

drums, following the burst of Japan's economic bubble, the domestic commercial vehicle market has been enjoying relatively stable growth over the past year or so, supported largely by changes in the regulatory environment.

Like the domestic passenger car market, Japan's commercial vehicle sector is a mature market where growth depends to a large extent on replacement

At the same time, as in world, Japan's commercial vehicle market has tended to faithfully reflect the state of the economy. For example, during the heady days in the latter part of the 1980s when highly inflated asset prices brought on a surge in consumer spending and construction works, demand for trucks was greatly boosted by the increased economic activity that characterised

The market for medium to large trucks grew to a peak as real estate developers and

fter a prolonged newly wealthy individuals period in the dol- contributed to a construction boom.

But when the asset inflation "bubble" burst and the Japanese economy entered one of its longest periods of economic slowdown since the war, the commercial vehicle sector underwent a prolonged slump lasting 35 months until early 1994.

What bas helped the industry to recovar from that downtrend has not been an improvement in the domestic economy. Although the Japanese government haa pumped significant other vehicle markets of the amounts of public funds into construction projects in a bid to boost the stagnant economy, the beneficial impact of that effort has not

been felt by manufacturers

of trucks. For one thing, since the average replacement cycle for dump trucks is between 6 and 10 years, the large number of trucks, such as dump trucks, which were bought during the construction boom of the late 1980s are still widely in use, says a representative of Isuzu, one of Japan's leading commer10,600 in 1993, Isuzu notes. Instead, the recent perfor-

a number of regulatory changes, which have been the main triggers of growth.

restrictions were strengthened by the government in a move which drove many truck owners to replace their vehicles with larger models. At the same time that the stricter overloading restrictions were introduced, the government eased regulations on the maximum combined weight of cargo and truck from 20 to 25 tonnes.

Impact

These factors made for a burst of replacement activity which has had a far more significant effect on the market than the state of the economy. One notable result has been an increase in larger trucks with a gross tonnage of 25 tonnes due to nese economy are expected deregulation of maximum

Although the heavy weight truck sector Government plans to ease accounted for only 6 per cent of heavy-duty truck sales in early 1995, sales grew to to set up a business in the comprise 17 per cent of the category at the beginning of cial vehicle makers. Sales of this year, points out Mr Tak- to be set up, thereby stimu- models, he believes.

dump trucks were slashed aki Nakanishi, industry ana- lating demand. Furthermore, from 20,000 units in 1988 to lyst at Merrill Lynch in the planned rise in the con-Tokyo.

Maanwhile, tougher emismance of the market has alon controls have been ing by companies looking to been more closely related to introduced into Japan, which have prompted replacement demand both Isuzu believes for older type vehicles ahead ended last August, and new vehicles, which meet the stricter requirements.

> emissions of trucks made prior to 1989 also precipitated replacement demand of 20,000 units in fiscal 1995 alone, according to Mr Nakanishi. In reaction to the surge in demand, triggered by the regulatory moves, the market dipped somewhat in the first half of this year. But looking ahead in the near-term, the commercial vehicle market is expected to see an improvement over the

next year or so.

There are reasons to be somewhat uptimistic about the industry's outlook: improvements in the Japa-Standards to boost cargo-trucking activity, which in turn will stimulate demand for trucks. regulations concerning the number of trucks necessary trucking industry could also encourage more companies

sumption tax early next year could trigger a rush of buybeat the increase from 3 per

In the longer-term, howvehicle manufacturers face the need to comply with that will be much tighter

Between 1998 and 1999, NOx and CO, emissions, as well as particulates, will be introduced that will require companies to fully remodel

"It will be a real test of the individual truck manufacturers' abilities to meet these new regulations," notes an Isuzu representative. Not all companies will be able to meet the new standards in all of their trucks and will be forced to drop some of their

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Mitsubishi

Nissan Diesel

cent currently to 5 per cent. Combined with the pick-up In May, 1994, overloading of the grace period which in economic activity, the heavy-duty and mediumduty cargo truck markets could see double digit Tougher rules on NOx growth in the second half to emissions of trucks made March, Merrill Lynch's Mr Nakanishi believes. ever, Japan's commercial

emission control regulations than those that exist today. long-term controls which aim to significantly reduce

so that it can concentrate on directing more of its stricter regulations. Faced tougher regulations, the

Japanese truck manufacture

40,087

35,000

75,087

9.3%

22,929

95,223

28%

39,905

24.341

64,246

14.0%

23,566

27.693

51,25

17.7%

2,580

41.8%

178,432

-- 4.790

109,963

40.1%

288,395

2.6%

43,380

28,560

71,940

4.25

73.250

18,480

91,740

37,620

15,950

16.6%

24.840

21:000

45,840

.000

10.69

-65.1%

180,000

84,000

-23.6%

264,000

-8.5%

0.9%

Isuzu itself has pulled out better give up its operations of the passenger car market in passenger cars, where it was not a major force, and focus its energies on the secmore competitive, according

cial vehicle makers than it turers, it is likely that amid stricter environmental regu resources to meeting the tor of the market where it is lations, leading commercial vehicle makers will concenwith the prospect of the to the Isuzu representativa. trate their energies on a Although Japan has a smaller range of products in company decided that it had smaller number of commer order to stay competitive.

■ South Korea • By John Burton in Seoul

A mountain of problems

The construction industry's slowdown has hit the heavy truck sector hard

be South Korean truck industry bas shifted into low gear as it confronts a mountain of problems. Domestic sales are stagnant and a sharp growth in exports is unlikely in the near future because of the industry's lack of overseas

marketing experience. Commercial vehicles accounted for a fifth of the 25m vehicles produced in Korea last year. Most were medlum-sized vans and buses manufactured by Hyundai Motor and Kia Motors, which had 46 per cent and 38 per cent respectively of the domestic commercial vehicle market in

The heavy truck segment is much smaller, with an estimated 35,000 vehicles produced last year. Asia Motors, a subsidiary of Kis, and Ssangyong Motors have traditionally dominated this sector. In the last few years, Daewoo and Samsung have entered the large truck industry attracted by the normally high profit margins for these vehicles.

But after buoyant sales for early 1990s, domestic demand bas been sluggisb since 1994. Domestic sales increased by only 2.6 per cent to 325,000 vehicles during the first nine months of

The sluggish sales reflect the problems affecting the 24,355 vehicles during the rest of the Korean motor first nine months of this industry, including market year - "beavy-duty trucks saturation and highly con- are highly geared to the con-

South Korean truck manufacture

by weight secto	L SUC MAURIE	SCOTLOL.				٠٠:	
	1995	1996	1997	11998	1999	2000	200
Hyundai							٠
Medium	2,110	2.225	2 345	2 473	2 607	2 749	2 89
Heavy	8,730	9.298	9 357	7 782	6-866	6 127	6.31
	10,840	11,523	11,702	10.235.	9.473 ·	8,876	9.20
% change	0.8	6.3	1.6.	-12.5	-7.4	-6.3	3.
Kia				7.7	45.00		\$.
Medium	10,553	11,693	11 658	12 214	12,554	13 170 ·	13 56
	10,553	11,693	11,658	12214	12.554	13.170	13.56
% change	19.6	10.8	-0.3	4.8	2.8	4.9	3.0
Asia					S 4.00 8 11.1	• •	
Medium ·	431	439	434	423	404	391 -	397
Heavy	3,982	4.163	4.303	4.289	4,105	4,008	4.187
	4,413	4.602	4,737	4.712	4,509	4.397	4.584
% change	3.6	. 4.3	2.9	0.5	4.9	-2.5	4.5
Daewoo				·*>			• • • • • •
Medium	7,753	7,841	8.086	8.344	8,172	8,511	8,775
Heavy	. 2,704	2.585	3.056	3.445	×:- 3.693	4,000	4,147
	10,457	10,426	11,142	11,789	11,865	12.517	12.922
% change	-5.3 .	-0.3	6.9	5.8	0.6	5.5	32
Ssangyong	-						
Heavy	3,385	3.832	· 4,513 ·	5.094	5.445 ***	5.656	5,826
	3,385	3.832	4.513	5.084	5,445	5,658	5.826
% change	-7.3	13.2	17.8	129	6.9	. 3.9	. 3.0
Samsung				16.00		· 3	
Heavy	3.212	3.377	4.001	3,782	3,393	3,527	3.832
	3,212	3,377	4.001 .	3,782	3,393	3.527	3,832
% change	183.7	5.1	. 18.5	-5.5		3.9	. 3.0
Halla .							
Heavy	0	Ó	244	500	805	295	914
	ō	ō	244	500	805	896	914
% change				704.9.	87.0	11.3	. 20
TOTALS		,					
Medium	20,847	22,198	22,523	23.454	. 23,737	24.821	25,835
Heavy .	22,013	23,255	25,230	24.372	23.502	23.322	25,017
	42,860	45,453	47,753	47,826	47,239	48 143	50,652
6 change ·	8.7	6.0	5.1	0.2	-12	1.9	5.2

the biggest consumers of commercial vehicles, have suffered the most from a Don Lee, motor analyst for recent economic slowdown. Problems are even more

acute for the beavy truck industry, which had a 3.9 per cent fall in domestic sales to

during the building boom of the early 1990s," says Mr

BZW Securities in Seoul. Almost 80 per cent of the beavy trucks produced in Korea are related to the coustruction industry, including dump trucks and special purpose vehicles. Mr Lee helieves that sales would have fallen even further if

their industrial groups.

Ona indication of the effect of construction slowdown on large truck sales is that Asia and Ssangyong recently reported inventories equivalent to twn months' production. Both companies are expected to report losses this year. The poor market gested roads. In addition, struction industry, which is the truck producers had not conditions have forced Halla

Heavy Industries to postpone plans to begin truck production using imported technology from Iveco of

In apparent response to the alowdown, Samsung Heavy Industries this summer spun off its truck venture into a separate company, Samsung Commercial Vehicle, to reduce its cepital costs and share the financial burden among other Samsung subsidiaries.

Samsung began truck production in 1994 in association with Nissan of Japan as a stepping stone to the group's goal of making pasplant to produce 200,000 complex at Kunsan.

small trucks and vans by 1999 in addition to Samsung's current range of 3,800 beavy trucks.

But some analysts speculate that Samsung might reduce its planned truck production capacity if the market remains sluggish. In addition. Samsung is spending at least \$5bn on passenger car production, which could deprive funds from the truck operation.

However, Daewoo Heavy Industries appears committed to expanding its new truck venture. It invested \$100m to develop 13 new heavy truck models last year senger cars by 1998. Last and recently expanded proyear, construction was duction capacity to 20,000 started on a Won 1,200bn large trucks at its factory

Upon completion of additional facilities for the pro-duction of small and medium trucks by 2000, the commercial vehicle complex will have a total annual production capacity of 190,000 vehicles. Althnugh Daewoo

exported only 100 trucks last year, it has ambitions of creating a large overseas market, particularly in Europe following its recent acquisition of the Czech truck producer Avia.

Exports account for only a small share of sales for other Korean truck producers. But they are gradually establishing overseas production bases. Hyundai last year established a joint venture in the Netherlands to assemble 5.000 3.5-tonne trucks

annually and is planning to assemble 10,000 one-tonne trucks in the Czech Republic and Bulgaria.

Asia Motors is building a \$200m plant in Brazil, its single largest export market, to produce 60,000 one-tonne trucks by 1999. The move was in response to recent tariff increases on imported vehicles by the Brazilian government.

Meanwhile, Ssangyong is planning to increase overseas van sales tn 15,000 vehicles next year through the global distribution network of Mercedes-Benz, which holds 5 per cent of Ssangyong. Ssangyong is producing the vans on an original equipment manufac-

turing basis for Mercedes.



Forging ahead: trucks under construction at Daewoo's vast new Kunsan plant, located on the west coast of South Korea

ADVERTISEMENT

The 'Arzamas machinebuilding plant' enterprise (AMZ) is situated 100 kilnmetres snuth of Nizhny Navgorod in the city of Arzamas with a population in the region of 100,000. It was formed 20 years agn as a Gorky automobile plant corpnratinn. The number of workers has reached 7000 and stabilised at this level. The management team is represented by eager qualified engineers, 40-50 years old, many of whom have worked here from the opening of the plant. The General director of the factory, Vladimir Tiourine (49 years old) has successfully managed the enterprise for 10 years. He has an incredible ability to cope with the difficulties of the Russian market, a talent to foresee possible problems and an un-

strategic thinking. The legal status of the enterprise is a joint stuck company. The main shareholder is Gorky automobile plant with a 45% share. The rest of the roubles in November 1996

dnubted inclination to

Your opportunity to develop your business in Russia We are presenting a leading Russian enterprise which is the main producer of armoured personnel carriers in Russia.

shares are apportioned between the warkers, 5% are held by the managers (11 persons). According to the 1995 results, 6000% was paid per preference share at the nominal value nf 500 roubles, and 700% per common share at the nominal value of 500

the numinal value of realisation yields 40% of for making isothermic 800000 rbls. per sbare was registered after revaluation. The gross margin of the company in both roubles and currency for 1995 is estimated at 20m dollars. The grass margin for the first 9 munths of 1996 is estimated at 14m dollars. The value of contracts signed for 1997 is 130m.

The enterprise produces twn types of products: military and civil, general nomenclature consists of over 1000 titles. The sales valume of military products, which is usainly represented by BFR-80 armoured personnel carriers produced both for export and for internal demand, forms 60% of the total sales volume. Civil product

the total volume of sales, and numericative includes a wide range of gnnds, for example, completing products for cars produced by Gorky and other automnbile plants A whole range of civil cars is being produced on the BTR-80 chassis cars for transportation of money, cars with hydraulic selfseizure for the export of logs from logging, cars having reactive projectiles installed for extinguishing oil-well fires, and alsn allpurpose amphibian cars power engineers etc. Gazelle' small trucks' chassis, delivered by

models of vans. Furniture production was organised three years ago and now functions successfully using untilled logs as raw materials. Here at the factory they go through a full cycle of drying, sawing and processing, finally being turned into kitchen fixtures and soft furniture. Created for factory requirements, production of reinforced concrete wares (such as blocks, overlappings etc) have been developed and are now available on the for transporting drill- local market. The list of operaturs, geologists, products, manufactured by this plant would be incomplete without mentioning nur sheet Screy automobile plant in metal, products of exchange for completing working footwear, tools parts, is presently used for wood processing,



stoves for datchas, auto

accessories, etc. Presently, the factory's engineers are working on the realisation of a new project with regard to the manufacturing of vans on the 'Gazelle' small truck chassis (with 1.5 tnns nf cargo-carrying capacity)
which are planned in
be delivered from the Gorky automobile plant. A car-assembly plant with all the necessary services (electricity, water, railroad

tracks etc) has been built on the plant's territory especially for this project. It necupies an area of 10,000 square metres. It is planned to organise the assembly of small series (3000-5000 pieces per annum) of ambulance cars, police cars, refrigerator cars, milk-cars and some other models (more than 10 modals). It is important to nute that in 1997, the 'Gazelle' will be completed with a STAYER

MI diesel by STAYER (Austria), licence for production of which was bought by Garky autamubile parts in 1995. Preliminary discussions of this project took place in Moscaw recently. The approximate volume of finance required for the project realisatinn will not exceed 10m dollars at the pay-back period of 3-4 years. Funds will be used for buying equipment in the West (such as presses, stamps, etc), specification of which is now available. External investments only will allow the plant to initiate earlier production. The factory's management is looking for cooperation from financial institutions tn provide the finance to develop this project.

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